03 Planning an Incubator
Introduction to the Training Program
INTRODUCTION TO THE TRAINING PROGRAM

This is the trainee manual for Module 3 Part 2 – out of 11 modules in total - of infoDev's State-of-the-Art Business Incubation Training Program for Business Incubator Managers in Developing Countries. infoDev (www.infodev.org) is a research, capacity building and advisory services program, coordinated and served by an expert Secretariat hosted by the World Bank Group. It helps developing countries and their international partners use innovation and information and communication technologies (ICT) effectively as tools for poverty reduction and sustainable social and economic development. infoDev is a leader in business incubation of technology-enabled enterprises. infoDev's global business incubation network reaches close to 300 business incubators, more than 20,000 small and medium enterprises, and has helped create over 200,000 jobs across 87 developing countries1.

infoDev has found that high quality leadership is a key factor determining the probability of success for an incubator. infoDev therefore seeks to increase the capacity of business incubation managers – and their stakeholders – through one-on-one technical assistance, regional and topical peer-to-peer networks, the bi-annual Global Forum on Innovation and Entrepreneurship, and its web-based networking and knowledge-sharing tool www.idisc.net. This training program was designed in direct response to repeated requests from infoDev’s technology entrepreneurship community for an in-depth business incubation training program relevant to the developing country context.

This training program is the first-of-its-kind, drawing from the lessons, models, and examples in business incubation from across Africa, East Asia and the Pacific, Europe and Central Asia, Latin America & the Caribbean, Middle East & North Africa, and South Asia. More than 30 experts contributed directly to the writing of the training modules, and the materials were tested with more than 300 professionals in developing countries all of whom provided inputs to the final design.

This training program is designed for business incubation managers and other business incubation stakeholders wishing to increase their understanding and know-how of the business incubation process. It consists of 11 training modules ranging from basic introductory topics designed for professionals new to business incubation, to specialized topics such as Technology Commercialization and Virtual Business Incubation Services.

The modules include:

**SUITE 1 – BUSINESS INCUBATION BASICS**

**Module 1 – Business Incubation Definitions and Principles**
This module provides an introduction to business incubation. It introduces key definitions and presents the main principles and good practices of business incubation. It aims to equip current and future incubator managers and policy makers with the knowledge, skills and understanding of the fundamentals of business incubation in order to effectively foster and encourage businesses.

**Module 2 – Business Incubator Models, Including Success Factors**
This module aims to illustrate various business incubator models based on practical examples of incubators from all over the world. The ultimate goal of this module is to empower current and future incubator managers with a thorough understanding of the various business incubator models and their critical success factors as well as to help them identify the best model to adopt for their own incubator to be successful.

**SUITE 2 – BUSINESS INCUBATOR OPERATIONS**

**Module 3 – Planning an Incubator**
This module, which divided in two parts, covers assessing the feasibility and designing the business model for an incubator. The first part is aimed at providing a thorough understanding of developing a feasibility study. This includes the steps to undertake a pre-feasibility study, the components that it should address, as well as how to gauge the market need and decide whether an incubator is the most appropriate solution. The second part of the module focuses on business planning to establish the incubator business model.

**Module 4 – Marketing and Stakeholder Management**
This module is designed to support efficient and effective communication of the incubator with key customers and other stakeholders based on a good understanding of the market place. This is important since it will help the incubator to establish and increase its reputation as a sustainable organization that fulfils its mission.

The first part of the module focuses on identifying, assessing, and reaching customers/stakeholders, as well as potential ally organizations providing business support services to enterprises; while the second part is dedicated to defining the incubator’s value proposition and engaging marketing channels.

**Module 5 – Financing an Incubator**
The first part of this module aims to guide current and future business incubator managers through mastering the incubator’s financial data (such as costs and revenues) in order to enable them to identify the financing needs of the organization as well as to explore potential sources of financing.

Building on the first part, the second part of the module is dedicated to demonstrating, to current
and future business incubator managers, how to develop a fundraising strategy and to monitor the financial performance of an incubator.

Module 6 – Managing the Incubator
This module provides current and future business incubator managers with an overview of sound management practices for a successful incubator.

The first part addresses the topics of incubator policies and governance and the second part is dedicated to operations and human resources management.

Module 7 – Monitoring, Evaluation and Benchmarking
This module aims to provide incubator managers with the required information, skills and insights to develop their own monitoring and evaluation system and to carry out benchmarking activities.

The first part of the module is dedicated to helping the incubator manager understand the added value of monitoring and evaluating the performances of his/her incubator; defining relevant and adequate performance indicators; and exploring how to monitor and evaluate, notably by studying existing tools and methodologies.

The second part focuses on empowering the business incubator manager to use the data collected through monitoring and evaluation activities to compare the business incubator’s performance with those of similar organizations.

SUITE 3 – ADVANCED INCUBATOR MANAGEMENT

Module 8 – Implementing a Mentoring Program
This module provides, in its first part, a conceptual framework for gaining a thorough understanding of the mentoring process and its purposes from three perspectives: that of the business incubator, the mentor, and the mentee.

The second part of the module focuses on how to implement a mentoring program.

Module 9 – Deals and Financing for Incubator Clients
This module aims to provide a thorough understanding of the alternative sources of financing for incubator clients by notably describing programs and processes that will enable the incubator manager to assist his/her clients in accessing financing.

The first part focuses on preparing incubatees to engage in the process of accessing financing while developing the capacity of the incubator to assist incubatees in accessing financing. The second part of the training module explores financing from the perspective of both the incubatees and the incubator.

Module 10 – Technology Commercialization through Incubation
This module describes technology commercialization divided in two parts. The first relating to
challenges and lessons learned associated with this process as well as how to manage expectations regarding the results of technology commercialization. This part also concerns the role of the incubator in facilitating technology commercialization in the pre-incubation phase.

The second part of this module focuses on the role of the incubator in technology commercialization in both the incubation and the growth phases.

**Module 11 – Setting Up Virtual Services**

The first part of this module provides a conceptual framework for understanding virtual services. It is designed for current and future business incubator managers who are considering virtual incubation either as a stand-alone business model or as part of their overall incubator service portfolio to extend their current service offering.

In its second part, the module aims to guide current and future business incubator managers and help them to decide if virtual incubation is the right solution for their incubator. The module then explores the most common challenges and how to address them.

Figure 1 groups the modules by preferred level of experience and suggested module sequence.
Figure 1 – Module Selection and Sequence
Acknowledgements
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Module Objectives
The overall objectives of this module are to (1) provide a thorough understanding of planning and implementing a feasibility study for an incubator and (2) to show how business planning can be used to establish the incubator business model.

TRAINEE TRAINING OBJECTIVES

The training module is structured in two parts:

Part 1 is aimed primarily at individuals or stakeholder working groups who will investigate the potential for establishing a business incubator. It will examine the steps involved in determining the viability of establishing an incubator by means of a feasibility study. By the end of Part 1 of the training module, the trainees will be able to:

- Undertake a feasibility study for an incubator focusing, in particular, on market analysis and stakeholder support;
- Ask the essential questions to ensure the sustainability of the planned incubator, notably whether an incubator is the right solution;
- Use the feasibility study results to select the right target market and strategic direction for their incubator;
- Explore the physical layout options for the incubator, by taking into consideration the important issues when planning aspects such as the physical location and the size of their incubator;
- Design the services to be offered, determining which are most appropriate and understanding how to set prices; and
- Describe the skills set required for managing and running an incubator.

Part 2 is aimed at incubator stakeholder working groups or future incubation managers who have completed the feasibility study for an incubator and/or have taken the decision to go ahead with the establishment of an incubator. The aim is, building on the results of the feasibility study, to develop a business plan for the incubator.

By the end of Part 2 of the training module, the trainees will be able to:

- Develop powerful vision and mission statements for the incubator and all its stakeholders; and
- Prepare an effective business plan for an incubator based on the vision and mission statements.
Introduction to this Module
Establishing an incubator is a significant, long-term investment. Effective planning is a key factor in ensuring the future success of such an initiative and the return on investment for the principle stakeholders. The incubator should focus on areas in which there is a market need and an opportunity for growth. To this end, this training module will provide the stakeholder working group responsible with a systematic approach to planning an incubator, from the development of a feasibility study to a full business plan and the establishment of optimal operational strategies.

The module is designed to be practical in nature providing future incubation managers with the tools required to complete each stage of the planning process. Relevant case study examples are included in order to provide stakeholder working groups with a variety of insights and perspectives from different incubators that have been through the planning process and have resulted in the establishment of successful incubators. Additional information regarding starting an incubator may be found by consulting the infoDev Incubator Support Center (iDisc)².

Component 2 (Part 2 Training):

Business Planning
COMPONENT INDEX

Section 2.1: Vision & Mission Statements, Strategies for an Incubator
Section 2.2: Designing a Sustainable Business Model
Section 2.3: Components of the Incubator Business Plan
Section 2.4: The Importance of the Incubator Marketing Plan
Section 2.5: Management and Operations Planning

COMPONENT OBJECTIVES

Following the introduction to the feasibility study in Component 1, Component 2 provides an introduction to the next logical step in the establishment of an incubator – identifying the optimal business model and putting together a business plan starting with the development of a strong vision and mission statement and strategic objectives. Insight is given into important considerations when deciding on whether or not to offer physical incubation space and the factors which should be taken into account when planning for such a development.
Section 2.1: Vision & Mission Statements, Strategies for an Incubator

The strategic plan sets out the mission, vision and key strategic objectives of the incubator. The business plan addresses how to achieve these objectives and includes detailed financial aspects.

These two documents which form an overall plan are essential to direct and motivate the operations of the incubator at both a strategic and operational level. The original documents should be developed with the board and key stakeholders, but once the incubator is up and running they should be ‘owned’ by the management team. A good policy would be to organize a strategic planning workshop once a year (usually prior to the Annual General Meeting) at which the board, incubator manager and key stakeholders are present. Ideally such a workshop should be held off-site and facilitated by an independent expert in both strategic planning and incubation. The management team should prepare the updated strategic and business plan for review and eventual ratification by the board prior to the workshop.

In summary, the main elements of the strategic framework of an incubator are as follows:

- A vision for your future;
- A mission that defines what you are doing;
- Values that shape your actions;
- Strategies that define the approach to achieving the mission and vision;
- Strategic objectives to guide your daily, weekly and monthly actions;
- A risk evaluation; and
- Impact, monitoring and evaluation measures.

Section 2.1.1: Vision and mission statements

A vision statement summarizes the image that the incubator would like to convey regarding its future. For example, a manager may seek a “highly competitive area with vital enterprises creating jobs.” The vision should resonate with all members of the organization and help them feel proud, excited, and part of something much bigger than themselves. A vision should stretch the organization’s capabilities.

23 Adapted from infoDev Incubator Manager Training: Suite 3, Washington
and image of itself. It should give shape and direction to the organization’s future. Visions range in length from a couple of words to several pages. A short, catchy statement that encompasses the vision of the incubator is recommended. This vision should be at the forefront of the minds of the employees and client companies.

A mission or purpose statement explores the role of the incubator in achieving the vision. It is a precise description of what an organization does. It should describe the business the organization is in. It is a definition of “why” the organization exists currently. Each member of an organization should be able to verbally express this mission. The following are a few examples:

The vision of the Bulungula Incubator in South Africa is “to be a catalyst for the creation of vibrant and sustainable rural communities.” They aim to achieve this vision through their mission “by partnering with our community, government, Non Government Organization’s and other innovative thinkers to find synergies between the traditional rural African lifestyle and culture, and external technologies and innovations. These synergies must always seek to enhance the positive aspects of traditional rural life and/or mitigate the problematic aspects. They must be in accordance with our values must recognize the fundamental human rights enshrined in our constitution. The Bulungula Incubator further aims to be an agent for change by influencing government and corporate policy in an effort to spread our vision more widely.”

The mission of ‘Inkubator’ in Slovenia is “to be an operating local innovation instrument for economic development of the Primorska operating area” with the vision “to become a recognized and respectable full member of EBN Network”. Their mission includes their Unique Selling Point or Proposition (USP) which is “our strong point is our location on the border with Italy and closeness of important science and technology institutions.”

The vision of the TREC-STEP incubator in India is “Partnership for mutual benefit across the public and private sectors” focusing on:

- Knowledge based industrial clusters;
- Academia and entrepreneurs partnership in cutting edge achievements;
- Entrepreneurship spirit at all levels of the society;
- Intellectual asset and diffusion of wealth in the society; and
- Quality of life, environment and growth.

To this end, TREC STEP’s mission is to:

- Promote knowledge based industries;
- Develop and transfer technologies;
- Train technology and business skills; and
- Develop new project initiatives.

24 Source: Greater Good, South Africa - http://www.myggsa.co.za/connect/receivers/bulungula_incubator/
The mission of Ankara Cyberpark in Turkey is “to create new resources and to improve the utilization of existing resources of its stakeholders (shareholders, tenants, academicians, students, government, Ankara Municipality, etc.) by providing its tenants with an atmosphere that creates synergy, the best quality and most cost-effective techno park services.” This responds to Ankara Cyberpark’s vision to contribute to the economical and scientific development of the country by converting the scientific researches into technological products as well as preventing the brain migration by offering attractive job opportunities to highly qualified graduates and researchers.

Who develops the mission and vision statements?

- The vision and mission statement for an incubator cannot be delegated to external parties to prepare.
- It must be owned from the outset by the key stakeholders involved in the long-term planning and support of the incubator.
- Very often a local champion emerges with their own very clear vision about what the incubator should set out to achieve.
- It is important, however, to get ‘buy-in’ to this vision from the outset.
- For this reason the first version of the mission and vision statements should be developed or at least discussed and agreed by the first board of directors and key stakeholders.
- Thereafter, although the mission and vision statements should not change frequently, they should be reviewed for continued relevance as part of a strategic planning review which should take place periodically at least once per year.

Section 2.1.2: How to build a powerful vision statement

Although the vision and mission statement have to be created by local stakeholders, if resources permit it is often useful to bring in an external consultant specialized in incubation to help with the strategic planning process. Vision and mission statements should be agreed by all stakeholders interested in establishing and supporting an incubator in their area in the long-term. As an incubator provides services to several clients, such as public administrators, entrepreneurs, existing SMEs etc., it can be challenging to overcome local rivalries and differing points of view to reach a common position which satisfies all parties. When it comes to developing the vision and mission statement, an external consultant can help to reach a consensus by encouraging stakeholders to brainstorm and think more creatively, to think long-term and to aim high.
The essence of a vision statement:

It should be a powerful motivational tool which brings all stakeholders together to work towards a common inspirational goal.

To kick start discussions about a vision statement, the following questions could be considered:

- What were the stakeholders’ primary motivations for setting up the incubator?
- Related to these motivations and thinking more broadly, how would each stakeholder define success for the incubator?
- From a client perspective, how would you like clients to experience and benefit from the incubator services?
- Setting aside the question of funding, how would each stakeholder envision the incubator in 10 years time?

Through brainstorming these points, a common vision should eventually emerge. This vision may vary from a short sentence, such as “To be the unquestioned leader in technology incubation within the X area” to several pages in length. Once the long-term vision for the incubator has been created, it defines the context in which all other decisions are made.

Section 2.1.3: How to build a powerful mission statement

The mission statement describes:

- Why the incubator has been established; and
- What the organization aims to achieve.
A typical mission statement contains three components:

1. The overall purpose of your incubator – What are you trying to achieve right now? Why are you in business?

2. What your incubator does – What are the core products and services it provides?

3. What is important to your business? What are the values your business holds and aims to convey to clients and other stakeholders; for example accountability, objectivity, creativity, and ingenuity?

To construct a good mission statement several steps are recommended:

- A brainstorming meeting should be organized amongst the stakeholders that support the launch of the incubator. This can be combined as part of the strategic workshop in which the vision statement and other key strategies are developed.

- This workshop will identify the needs the incubator will satisfy. It is useful at this stage to refer to the market research completed as part of the feasibility study which should include aspects such as the needs expressed by potential entrepreneurs and existing SMEs and the size of the market included in the catchment area, among others.

- A SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis is often used by organizations as part of the strategic planning process. It can help to clarify the positioning of the incubator in the marketplace looking at its strengths and weaknesses in relation to market conditions and competitors as well as looking at emerging opportunities and threats.

- In some cases, the mission statement may refer to the way the incubator will be financed. This is a way of clarifying to the users if the infrastructure in place is financed by public funding or private income or a combination of the two.

- Last but not least, incubator missions should always include business creation as their main objective either by helping to create or consolidate new high potential growth companies or introduce innovation in already existing ones.
There are several key points to strategies and action plans:

- The core values of a company or organization are usually defined in their guiding principles.

- The overall objective is to align all activities within the organization toward the common theme(s) that support a winning business strategy.

- Different strategic objectives result in different types of incubator.

- Strategic goals go beyond the mission and vision to better define how the organization aims to relate to its business environment.

- Strategies usually consist of four or five well defined key approaches that an organization will employ to accomplish its mission and drive itself toward the vision.

- Goals and action plans usually flow from each key approach and form the individual elements of the strategy.

- A business model is also the means by which an organization achieves its strategy.

- Operational plans concern the implementation of the strategy by identifying and organizing the all key activities.

Table 3 illustrates how different types of incubator are best suited to meet the strategic objectives that are defined by the key stakeholders/ shareholders of the incubator.

<table>
<thead>
<tr>
<th>POSSIBLE OBJECTIVE</th>
<th>POSSIBLE BUSINESS INCUBATOR VARIANT</th>
</tr>
</thead>
<tbody>
<tr>
<td>TECHNOLOGY COMMERCIALIZATION OR TECHNOLOGY TRANSFER</td>
<td>Technology business incubator – linked to an R&amp;D organization (such as a Research University) e.g. Timisoara Software Business incubator in Romania: <a href="http://www.idisc.net/en/Incubator.159.html">http://www.idisc.net/en/Incubator.159.html</a></td>
</tr>
</tbody>
</table>
### Possible Objective: Foreign Investment Attraction

Business incubator focused on the sectors being targeted. For example:
- A technology business incubator in the ICT Industry being used to help attract foreign companies or stimulate joint ventures;
- Manufacturing business incubator for sub-contractors to MNC manufacturing companies;
- International business incubators exist for companies wanting to enter a specific market. In Europe such incubators are known as ‘soft landing centres’. The EurOffice incubator network in Europe provides such soft landing facilities for companies (for example, Indian companies) wanting to explore or set up in Europe. To access the list of members of the EurOffice network: [http://www.cicom.fr/euro-office/Particpants%20List.pdf](http://www.cicom.fr/euro-office/Particpants%20List.pdf)
  - For Example: Polar Star: Bilateral Norwegian-Russian Business incubator Project in Murmansk, the first Norwegian-Russian business incubator, which contributes to the economic development between Norway and Russia: [http://www.idisc.net/en/Incubator.273.html](http://www.idisc.net/en/Incubator.273.html)

### Possible Objective: Employment Creation

A mixed, service industry or manufacturing business incubator may be the most appropriate, such as Rural Technology and Business incubator (RTBI) in India: [http://www.idisc.net/en/Incubator.18.html](http://www.idisc.net/en/Incubator.18.html)

### Possible Objective: Wealth Creation

A technology business incubator and a high growth focus, such as Maxum Incubator South Africa: [http://www.idisc.net/en/Incubator.182.html](http://www.idisc.net/en/Incubator.182.html)

### Possible Objective: Development of a Particular Industry

Industry focused business incubator. There are many variants, some of which require special facilities, such as food processing business incubators, biotechnology business incubators, and high end ICT business incubators, e.g. micro scale food processing at Village Business incubator, Syrian Arab Republic: [http://www.infodev.org/en/Article.359.html](http://www.infodev.org/en/Article.359.html)

### Possible Objective: Economic Diversification

Mixed or technology

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<table>
<thead>
<tr>
<th>Possible Objective</th>
<th>Possible Business Incubator Variant</th>
</tr>
</thead>
</table>
| FOREIGN INVESTMENT ATTRACTION | Business incubator focused on the sectors being targeted. For example:  
  - A technology business incubator in the ICT Industry being used to help attract foreign companies or stimulate joint ventures;
  - Manufacturing business incubator for sub-contractors to MNC manufacturing companies;
  - International business incubators exist for companies wanting to enter a specific market. In Europe such incubators are known as ‘soft landing centres’. The EurOffice incubator network in Europe provides such soft landing facilities for companies (for example, Indian companies) wanting to explore or set up in Europe. To access the list of members of the EurOffice network: [http://www.cicom.fr/euro-office/Particpants%20List.pdf](http://www.cicom.fr/euro-office/Particpants%20List.pdf)
  - For Example: Polar Star: Bilateral Norwegian-Russian Business incubator Project in Murmansk, the first Norwegian-Russian business incubator, which contributes to the economic development between Norway and Russia: [http://www.idisc.net/en/Incubator.273.html](http://www.idisc.net/en/Incubator.273.html) |
| EMPLOYMENT CREATION | A mixed, service industry or manufacturing business incubator may be the most appropriate, such as Rural Technology and Business incubator (RTBI) in India: [http://www.idisc.net/en/Incubator.18.html](http://www.idisc.net/en/Incubator.18.html) |
| WEALTH CREATION | A technology business incubator and a high growth focus, such as Maxum Incubator South Africa: [http://www.idisc.net/en/Incubator.182.html](http://www.idisc.net/en/Incubator.182.html) |
| DEVELOPMENT OF A PARTICULAR INDUSTRY | Industry focused business incubator. There are many variants, some of which require special facilities, such as food processing business incubators, biotechnology business incubators, and high end ICT business incubators, e.g. micro scale food processing at Village Business incubator, Syrian Arab Republic: [http://www.infodev.org/en/Article.359.html](http://www.infodev.org/en/Article.359.html) |
| ECONOMIC DIVERSIFICATION | Mixed or technology |
### Table 3 – Business incubators’ potential strategic objectives

<table>
<thead>
<tr>
<th>Helping Students Become Entrepreneurs</th>
<th>Pre-incubation associated with participating universities, such as Youth to Innovation (Y2i) Contest organized by Eastern European and Central Asian business incubators network (<a href="http://www.ecabit.org">www.ecabit.org</a>).</th>
</tr>
</thead>
<tbody>
<tr>
<td>Possible Objective</td>
<td><strong>Possible Business Incubator Variant</strong></td>
</tr>
<tr>
<td>Entrepreneurship Development</td>
<td>Any type of business incubator will generate important role models and stimulate interest, but a mixed use business incubator will be able to service a wider range of clients than a more specialized variant.</td>
</tr>
<tr>
<td>To Address Marginalized Groups, Such as Women, Ethnic Minorities, Youth, Disabled, Refugees or Rural Incubators</td>
<td>When there is systemic disadvantage to overcome and where for one reason or another these clients cannot be accommodated in other business incubators, such as Georgian Business incubator/Georgian Association “Women in Business”: <a href="http://www.idisc.net/en/Incubator.214.html">http://www.idisc.net/en/Incubator.214.html</a></td>
</tr>
</tbody>
</table>

Table 4 presents comprehensive examples of how the different strategic objectives, of different types of incubators, laid down in a mission statement could be translated into strategies and goals.
### Possible Objective | Possible Business Incubator Variant | Examples of Relevant Strategy | Examples of Relevant Goals (Note: These Goals Should Be Further Quantified in Action Plans)
--- | --- | --- | ---
Technology Commercialization | Technology business incubator – linked to an R&D organization (such as a Research University) | Build relationships with local universities and RTD (Research & Technology Development) institutes leading to the identification of new technology ideas ready for commercialization and provision of a program of incubation support services, which will ultimately result in the creation of new technology based businesses. | • Sign a memorandum of understanding (MOU) or partnership agreement with local universities and RTD centers. • Organize a number of entrepreneurship training courses per year in each RTD centre/ university. • Compile a database of new technology ideas ready for commercialization in each RTD centre/ university. • Provide customized assistance from pre-feasibility study planning to IPR support resulting in the establishment of new technology based businesses from each RTD centre/university per year. |
Technology Transfer | Technology business incubator – linked to applied an R&D organization or technical university | Build relationships with local universities leading to the identification of new technologies and the transfer of these technologies to local business. | • Sign a memorandum of understanding (MOU) or partnership agreement with local universities and RTD centers. • Contract technology and IPR specialists to identify technology ideas ready for technology transfer i.e. proof of concept exists. • Build a database of technology requirements of local businesses. • Match business technology requirements with new technologies. • Provide assistance in successful technology transfer per year. |
### Possible Objective

**Possible Business Incubator Variant**
- Business incubator focused on the sectors being targeted. For example:
  - A technology business incubator in the ICT industry being used to help attract foreign companies or stimulate joint ventures;
  - Manufacturing business incubator for sub-contractors to multi-national corporation (MNC) manufacturing companies; and
  - International business incubators for companies wanting to enter the local market.

**Examples of Relevant Strategy**
- Identify the interests and competencies of local businesses open to international cooperation/cooperation with MNCs in a specific sector, such as ICT.
- Identify relevant forums for meeting international companies interested in cooperation.
- Match the interests of international companies with local competencies.

**Examples of Relevant Goals (Note these Goals Should be Further Quantified in Action Plans)**
- Build a database collecting details of interests and competencies of local businesses open to international cooperation/cooperation with MNCs.
- Attend relevant international events to identify relevant and interested international companies. Meet with MNCs to explore requirements for cooperation.
- Provide hands-on assistance in matching the interests of international companies with local interests leading to:
  - The establishment of a specific number of joint ventures per year located in the business incubator;
  - A specific number of overseas companies located in the incubator; and
  - A specific amount of new contracts between MNCs and businesses located in the incubator.

### Foreign Investment Attraction

**Employment Creation**
- A mixed, service industry or manufacturing business incubator may be the most appropriate

**Examples of Relevant Strategy**
- ‘Classical’ incubator strategies such as:
  - Promotion and detection of new ideas in sectors with highest potential for employment creation and growth;
  - Feasibility study and business planning support;
  - Physical incubation;
  - Sourcing funding; and
  - Ongoing support towards growth and employment.

**Examples of Relevant Goals (Note these Goals Should be Further Quantified in Action Plans)**
- Organization of a specific number of entrepreneurship awareness events per year.
- Identification of a specific number of ideas.
- Completion of a specific number of feasibility studies.
- Completion of a specific number of business plans.
- Funding secured for a specific number of companies.
- Turnover and employment growth during incubation and post incubation.
- Contribution towards the creation of a specific number of jobs per year.

### Wealth Creation

**A technology business incubator and a high growth focus**

**Examples of Relevant Strategy**
- As previous, but with very stringent selection criteria, focusing on growth potential as measured by turnover. Many ICT businesses are capable of generating high revenues, but without necessarily creating many jobs. Conversely, more labor intensive traditional industries may be capable of generating more jobs than wealth. Therefore it may be appropriate to combine these strategies with sector-specific approaches as detailed in the next point.
<table>
<thead>
<tr>
<th>Possible Objective</th>
<th>Possible Business Incubator Variant</th>
<th>Examples of Relevant Strategy</th>
<th>Examples of Relevant Goals (Note: These goals should be further quantified in action plans)</th>
</tr>
</thead>
</table>
| Development of a Particular Industry | Industry focused business incubator. There are many variants, some of which require special facilities, such as food processing business incubators, bio-technology business incubators, and high end ICT business incubators. | Putting in place the necessary technical, business support tools and network resources to support the creation and growth of sector based business. | • Development of a testing laboratory for new foods. Raise awareness and promotion of this facility to encourage usage. Measurement of usage against targets.  
• Creation of a local cluster of companies, RTD players, industry players and other stakeholders in a given sector and development of a local development strategy.  
• Connecting the national cluster with relevant international clusters to support international B2B cooperation. |
| Economic Diversification | Mixed or technology | • Development of new market opportunities for existing businesses in a predominant industry sector in the area, such as internationalization.  
• Identification of new economic development opportunities for an area which utilize some of the competencies from traditional industry sectors.  
• Selection of a policy oriented entirely towards the support of new innovative business ventures that are unrelated to traditional industry sectors. | • Organization of company visits to overseas trade fairs and exhibitions.  
• Completion of technology road-mapping by relevant experts to identify spin-off diversification opportunities from traditional businesses.  
• Proactive stimulation of new business ideas in non-traditional areas through widespread promotion and entrepreneurship awareness activities and training in universities and large population centers. |
| Helping Students Become Entrepreneurs | Pre-business incubation associated with participating universities | Build relationships with local universities or RTD centers leading to the identification of new business ideas and the development of pre-business virtual incubation services. | • Sign a memorandum of understanding (MOU) or partnership agreement with local RTD centers /universities.  
• Organize entrepreneurship awareness activities and training courses in each RTD center /universities.  
• Establish a program for pre-business incubation, preferably one that can be delivered virtually. Involve university teaching and research staff in mentoring new business ideas as part of the overall pre-incubation program. |
<table>
<thead>
<tr>
<th>POSSIBLE OBJECTIVE</th>
<th>POSSIBLE BUSINESS INCUBATOR VARIANT</th>
<th>EXAMPLES OF RELEVANT STRATEGY</th>
<th>EXAMPLES OF RELEVANT GOALS (NOTE THESE GOALS SHOULD BE FURTHER QUANTIFIED IN ACTION PLANS)</th>
</tr>
</thead>
</table>
| ENTREPRENEURSHIP DEVELOPMENT       | Any type of business incubator will generate important role models and stimulate interest, but a mixed use business incubator will be able to service a wider range of clients than a more specialized variant. | Develop an entrepreneurial culture in a particular area through a broad strategy of entrepreneurship promotion and awareness building targeting the following:  
• Schools and universities  
• Large centers of population and employment  
• Rural areas | • Prepare an entrepreneurship promotional and marketing campaign based on international good practice and adapted to operating local specificities.  
• Secure the budget for the entrepreneurship marketing and awareness campaign.  
• Implement a marketing and awareness campaign.  
• Measure the impact and results. |
| TO ADDRESS MARGINALIZED GROUPS (SUCH AS WOMEN) | When there are systemic disadvantages to overcome and where, for one reason or another, these clients cannot be accommodated in other business incubators. | • Tailor the marketing strategy of the incubator to raise awareness among female entrepreneurs about the benefits of entrepreneurship and support services available.  
• Adapt the services offered to the needs of female entrepreneurs. | • Partner with women’s cooperatives to raise awareness of the benefits of entrepreneurship and the support services available.  
• Tailor a customized program of support for female entrepreneurs.  
In some countries virtual incubation services may be a more socially acceptable solution. |

Table 4 - Mission statement objectives translated into strategies and goals
Section 2.2: Designing a Sustainable Business Model

“A business model (also called a business design) is the mechanism by which a business intends to generate revenue and profits.”

An incubator is a business-like entity. In order to survive in the long-term all businesses need to be profitable. Even in the case of not-for-profit businesses, profits are still generated, but they are reinvested in the business instead of being distributed to owners.

Where do incubators fit in? This depends on the business model decided at the stage of planning and establishing an incubator and is typically guided by the objectives for the incubator, such as economic development, for-profit, not-for-profit, or others.

As mentioned in Module 2 on “Business Incubator Models, Including Success Factors” of the training program, an incubator must adopt a business model that is geared toward sustainable success, the unique characteristics of the incubator’s surroundings, and its objectives. A feasibility study may suggest that certain sector specific incubators are more appropriate for the area, or whether virtual services are /or are not needed for local growth. In essence, the study will supply a path forward for the incubator, provided there is sufficient market, political, and civic support. To ensure that the chosen incubator model is successful, an incubator must also identify, acquire, and secure all the necessary and available financial resources. Doing so allows the incubator to meet its costs, attract and support talented staff and foster business growth. A sound financial plan, which identifies a variety of funding sources and predicts incubator expenses, is also important to an incubator’s long-term success.

The issue of self-sustainability in business incubators is a perennial issue for business incubators across the globe, one that should be considered from three principal perspectives:

1. “Deal flow” i.e. the need for an ongoing critical mass of quality clients;
2. On-going support from innovation and entrepreneurship stakeholders such as the government, industry, academia, and banks; and

Although there is much talk about ‘triple bottom line’ sustainability meaning achieving sustainability at economic, social and environmental levels, from an incubator perspective, the three aforementioned perspectives are paramount in any discussion on sustainability.

Adapted from infoDev Incubator Manager Training: Suite 3, Washington
Incubator stakeholder working groups should take into account from the outset that for the planned business incubator to have a significant impact on its catchment area, it needs to be financially self-sustainable and may need to rely upon on-going financial subsidies, particularly in smaller states, and/or integrating business incubation with other related activities. Across the globe, self-sustainability, whilst a major aspiration, is a big challenge. As pointed out by Mark P. Rice and Jana B. Matthews in their book *Growing New Ventures, Creating New Jobs, Principles & Practices of Successful Business Incubation*:

“Experience suggests that sponsors often get the numbers wrong, either by being overly optimistic or by making unrealistic assumptions. For example, they often underestimate the length of time and the amount of effort required to grow a new generation of successful companies. To achieve its objectives, the incubator needs to have the resources to grow companies – after the high energy enthusiasm of the incubator launch and before the community is re-energized by incubator companies’ successes. (...) If the incubator is going to be around long enough to have an impact, it needs to be self-sustainable.”

Good practice dictates that the issue should be addressed from the outset at the feasibility study and/or business planning stage and not once the business incubator has been established when initial (often public) funding is running out.

**Section 2.2.1: Ongoing quality ‘deal flow’ – demand from quality clients**

Business incubation relies upon a critical mass of clients at any one time, commonly 20 to 30, and ongoing demand from quality clients, with something like 6 to 10 new companies entering the program each year, as others graduate at the other end of business incubation. A critical mass of quality deal flow may be difficult to achieve in smaller economies, calling for flexibility and creativity in the design and management competency, marketing the services and nurturing future and sustainable demand.

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Figure 7 shows a typical deal flow process. The figures are taken from an example in India and show that out of 100 students attending entrepreneurship awareness events, a smaller number go ahead with pre-incubation and virtual or outreach services before eventually three of them ending up in full on-site incubation. Although deal flow statistics will vary from area to area, the same filtering process applies with only a small number of the original interested parties becoming full incubation clients. Table 5 shows average deal flow statistics for the European BIC incubator network.

<table>
<thead>
<tr>
<th>PERFORMANCE INDICATOR</th>
<th>AVERAGE RESULT PER BIC INCUBATOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of training events organized for new entrepreneurs or existing SMEs</td>
<td>40</td>
</tr>
<tr>
<td>Number of people that attended events to promote entrepreneurship</td>
<td>1509</td>
</tr>
<tr>
<td>Number of start-up or other enterprise projects identified prior to feasibility study</td>
<td>210</td>
</tr>
<tr>
<td>Number of business plans produced during the year</td>
<td>105</td>
</tr>
<tr>
<td>Number of start-ups created during the year</td>
<td>39</td>
</tr>
</tbody>
</table>

Table 5 – Deal flow statistics BIC incubators (Europe)

Table 5 illustrates that the final number of new start-ups is about two or three percent of the total number of participants in awareness raising events.

Deal flow issues may include:

- **Incubator design**: The incubator should be designed in terms of both size and services to meet target market demand. Normally the feasibility study will identify the target market and indicate the most suitable size and service portfolio of an incubator to optimize the potential deal flow.

- **Critical mass**: Is there a sufficient ongoing critical demand mass from start-ups to sustain the incubator in the short to medium-term or does the incubator need to take actions to ‘pull’ or create the market, for example through establishing entrepreneurship training programs?

- **Networks**: Where does the deal flow come from? What are the best ‘feeder’ channels and mechanisms? Figure 8 illustrates the ‘funnel’ leading to deal flow for the business incubation process.

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27 Source: BIC Observatory 2007 - [http://quality.ebn.be](http://quality.ebn.be)
Section 2.2.2: Ongoing government and policy support

It is important to raise awareness about the business incubation process in the wider business environment. Feeder channels can come through channels, such as university or research institutes liaison officers, or through referrals from Chambers of Commerce, industry leaders, investors, or other clients. Tiered incubation should be considered as a way of developing the market.

Ongoing policy and government support is always important for business incubation, which relies upon public policy and tangible support to address failures in the market for early stage business development. The important role of start-ups/ small businesses is recognized by governments in most countries and policy makers realize that an understanding of why firms fail (or are successful) is crucial to the stability and health of the economy. An understanding of such factors enables public policymakers and small business organizational plans to better serve the small business sector.

In many cases incubators are managed through public-private partnerships. Although they may have a public goal, they should be managed like private sector businesses (either for-profit or not-for-profit). It is often difficult to marry the two perspectives, but nonetheless essential in order to secure long-term sustainability. If an incubator is fully financed by the state for a short-term period (three to five years) and then funding is withdrawn, it is often very difficult for the incubator to be self-financed. In the circumstances when state authorities own a considerable stake in the business incubator, appointing a politically suitable manager and team may be favored by certain parties. Instead the importance of selecting the most competent staff that has the skills, knowledge and experience to drive the incubator towards long-term sustainability should be stressed. The topic of PPP, including its risks is covered in more detail in Module 2 “Business Incubator Models, Including Success Factors” of the training program.
Section 2.2.3: Financial self-sustainability

Business incubators should be run with an entrepreneurial mindset, and it is advisable that a significant portion of the business incubator’s income is derived from earned revenue. Even if the business incubator relies upon ongoing funding from government, it still needs to operate as a business-like organization. Many long-term business incubation practitioners are wary of ongoing funding; as governments change so do their priorities and funding might suddenly cease. Cash and/or in-kind donations can be used to supplement earned income, particularly at the start-up stage of the business incubator. These are generally less used as the incubator reaches maturity.

The extent to which business incubation can be financially self-sufficient, the strategies to be used and the time it will take, need to be addressed carefully in the design and planning phases of development. Taking a global perspective, not all business incubation environments are expected to be financially

How to secure on-going public support – aspects to watch out for:

- **Adapt to trends:** To maintain public support and relevance over time the business incubator needs to continually adapt to changing circumstances and public policy priorities. It is necessary to understand the changing environment, emerging market failures and recognize the social process of incubation. To survive incubators must constantly review their fundamentals – their target market, service portfolio and social objectives.

- **Accountability to stakeholders:** Incubators should be aware they do not operate in isolation. They are always accountable to their shareholders and also if the board of directors includes public representatives and the incubator receives subsidies from public money, from the outset a clear policy should be put in place to demonstrate accountability and value for money to the general public as well as the direct shareholding organizations. This could take the form of an annual performance report and/or a client survey for example. Success stories should be highlighted through PR or appropriate media. According to EBN incubator experience in Europe “The trick is to enable the maximum number of people and bodies to claim part of the merit if the project is a success.”

Note: This element is explored in more depth in Modules 2 “Business Incubator Models, Including Success Factors” and 5 “Financing an Incubator.”

Source: EBN Vademecum, Brussels
self-sufficient. For instance, in Europe 37.3% of costs are met by subsidies, for the sample of business incubation environments used for the CSES 2002 ‘benchmarking’ exercise on behalf of the EU.\textsuperscript{29} However, business incubation environments in some countries (USA and Australia for example) are expected to be financially self-sufficient after initial seed funding for the first two to three years, often taking the form of the provision of buildings for which they do not pay the capital costs, nor commercial rent.

If achieving self-sufficiency means management needs to spend substantial time on non-business incubation activities, possibly fundraising or developing and managing other revenue earning businesses, then problems can arise. Management will have less time to spend helping develop the clients’ businesses and over time the value of the services provided can deteriorate, diminishing the business incubator’s brand and image in the community. Ongoing operational funding can relieve this pressure, allowing management to spend more time working with clients. Another outcome of a strong focus on financial sustainability is to concentrate on lower risk enterprises that are more mature and thus act more as an accelerator for existing businesses rather than an incubator for nascent firms. The former can also constitute a valuable contribution to the economy and may be a better solution if the push towards early financial self-sustainability is strong.

\textsuperscript{29} Source: Benchmarking of Business Incubation Environments, CSES, 2002 Table 23, Page 50.
Section 2.3: Components of the Incubator Business Plan

Preparing a business plan is an essential stage for incubators. It is particularly important during the early start-up phase of an incubator and will be useful for seeking funds, and also for systematizing ideas, processes and techniques.

The business plan provides answers to questions about the incubator before it is established, but needs to be updated regularly.

The feasibility study will have identified the need for the incubator, established the extent of the market for new businesses, verified the size of the incubator, and assessed the financial and other resources.

The business plan needs to address the following:

- It should start with a set of business goals;
- Then also indicate the reasons why the goals are attainable and continue with a thorough and well thought out proposal for reaching them within a specific period of time;
- The plan should conclude with an indication of the resources required for the incubator and the means by which they will be attained;
- Business plans for incubators will also:
  - Confirm the feasibility study results and assumptions;
  - Identify and resolve any remaining problem areas;
  - Set performance monitoring, and evaluation benchmarks;
  - Indicate how the strategy will be communicated to stakeholders, including incubator tenants, to secure their continuous support and involvement in the incubator’s operations; and
  - Provide a template for the management and operational procedures.

BIIA\(^1\) recommends that the Incubator business plan be developed by the incubator’s Board and management team for the following reasons:

- To facilitate understanding of the feasibility study;
- To ensure the plan is within scope of the interests and capacity of those required to implement it;
- To give a sense of ownership; and
- To enable easier updating.

The feasibility study, in consultation with local stakeholders, will have determined the most appropriate type, size and management structure for the incubator given its particular economic and other circumstances.

The business plan should guide the set up and detailed operation of the incubator over a three to five year period. It needs to be reviewed regularly and adjusted to meet changing external factors (flexible planning).

The main sections of the business plan typically include the following:\(^2\)

- **Executive summary.** This is a very important section of the plan and should be the last part to be drafted; its contents will depend on the contents of the whole of the rest of the plan, since this section will offer an overview of the enterprise, abbreviating the business plan content to its main points.

- **Vision and mission.** The desired impact of the business incubator in its particular catchment area should be defined in detail.

- **SWOT analysis.** The current situation should be outlined through a needs analysis of the innovation and entrepreneurship ecosystem in which the incubator aims to operate. A brief overview of the incubator organization is given along with its track record and current status. The unique characteristics of the incubator are stressed, highlighting its benefits and advantages. Traditionally this type of analysis considers these aspects under four categories: strengths, weaknesses, threats and opportunities.

- **Strategic objectives.** The incubator’s overall objectives must be clearly defined as they will be the reference point for any evaluation about where the incubator stands in achieving its desired vision, mission and impact.

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2. Source: InfoDev Incubator Manager Training: Suite 3, Washington
• **Business model.** The business model should describe the type of incubator chosen, its geographical scope and, where relevant, any sector specific or other particular focus of its target market. It should also provide information on the means by which the incubator will generate revenues and profits, including how it aims to become sustainable.

• **Marketing plan.** This section should outline the marketing policy and set out how the target market will be further defined and reached. In addition, it should document the incubator’s comparative advantages over the competition, and the ways in which it can ensure that it steadily brings in enterprises for incubation. Note: The marketing plan is considered to be highly important due to its large impact on the overall success of the incubator. Therefore, further details are provided on this aspect in the next section.

• **Management and operations.** This section should define the structures and procedures for reaching the incubator’s objectives, which should help prevent lack of coordination and support a more coordinated operation that avoids unnecessary expenditures. For each of the incubators core services, the operational plan should provide detailed descriptions of aspects such as the tasks required to render these services and the names of the people in charge. It should also use flow diagrams to describe the processes of providing each service. Decisions should be made about which technologies should be adopted to implement the procedures and processes of the incubator and these detailed in this section of the business plan. The resources required by the incubator (equipment, furniture, etc.), and its control systems should also be defined. Any legal aspects such as standards to which the incubator should comply or other regulations, e.g. access rules, etc. should also be outlined including its legal status (see iDisc for further information about different forms of legal status). Furthermore, the organization of the staff, their duties, responsibilities and relationships including structure for the Board of Directors’ and its member’s roles should be explained.

• **Financial management and planning.** This section should use short and medium term financial modeling to allow the anticipation of financial performance. The initial investments required should be defined, as well as aspects such as costs, expenditures and cash flow, among others.

• **A business plan can include a strategic development plan.** It should outline the phases of development of the incubator along with measurable development objectives and can include aspect such as:
  - Performance monitoring and evaluation together with their accompanying benchmarking objectives; and
  - Risk management.

Further information about business plans may be obtained from iDisc. To summarize, an example of the table of contents for a business plan is provided in Table 6:

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33 Source: [http://www.idisc.net/en/Article.38397.html](http://www.idisc.net/en/Article.38397.html)

34 Source: [http://www.idisc.net/en/Article.84.html](http://www.idisc.net/en/Article.84.html) and [http://www.idisc.net/en/Article.38605.html](http://www.idisc.net/en/Article.38605.html)
Contents Index

- Executive summary
- Vision and mission
- SWOT Analysis
- Strategic objectives (short, medium and longer-term)
- Business model
- Marketing plan and relationship with stakeholders
  - Target businesses
  - Their specific needs
  - How to attract them
  - Pricing
  - Occupancy levels
- Management and operations
  - Facilities
  - Entry and exit policies
  - Types and level of services
  - Relations with other services
  - Staffing
  - Role of the Board
- Financial management and planning
  - Capital budget
  - Operational budget
  - Scenario and sensitivity analysis of revenues and expenses
  - Cash flow projections
  - Profit targets
- Risks and amelioration strategies
- Monitoring and evaluation towards a strategic development plan
  - What will determine success?
  - How and how often, will this be measured?

Table 6 – Business plan contents index

Note: Module 2 “Business Incubator Models, Including Success Factors” explores in detail the different business models for business incubators.

Note: Module 4 “Marketing and Stakeholder Management” focuses on how to market the business incubator towards potential clients and stakeholders.

Note: Module 6 “Managing the Incubator” explores each of the elements mentioned, as these are critical management tools but which need to be defined when planning the incubator.

See iDisc for further information: http://www.idisc.net/en/Article.163.html

Note: Module 5 “Financing an Incubator” provides useful insights and guidelines on the financial planning of a business incubator.

Note: In the current Training Program, Module 7 is dedicated to “Monitoring, Evaluation and Benchmarking”.

Section 2.4: The Importance of the Incubator Marketing Plan

The marketing plan is one of the most important topics covered in an incubator business plan. It contributes directly to the sustainability of the incubator by identifying and securing ‘deal flow.’

Although the most important objective of the marketing plan is to identify what needs to be done to attract more or better quality clients, it may also incorporate actions to attract new or stronger partners and sources of funding. Potential donors will look closely at marketing information in making conclusions about the future sustainability of an incubator.

Marketing plans can vary substantially in length according to the size and complexity of the incubator. For some large scale complex incubators, a marketing plan consists of a stand-alone document, similar to a mini business plan, which can run to twenty pages or more. For other smaller incubator operations, a marketing plan can consist of a short check-list of key marketing goals.

Most incubator marketing plans have certain aspects in common which will be detailed in the following sections. In longer, more complex and often stand-alone plans, additional topics may lead to the need for:

- An executive summary;
- A statement of the incubator’s overall business goal or vision; and
- A description of the incubation program and its current services.

Section 2.4.1: The response to the market analysis

The incubator should be familiar with overall market trends and the profile of the target market in which it operates or intends to operate. In this section the market and its potential is analyzed and defined. The target market, the segmentation strategies and relevant trends are presented.

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41 Adapted from Colbert, Corinne, A Practical Guide to Business Incubator Marketing, NBIA Publications, 2007, p. 28 and infoDev Training for Incubator Managers: Suite 3
The marketing analysis presented in the feasibility study will provide the basis for the development of the initial incubator marketing plan. However, it is essential that marketing information is reviewed on a regular basis to ensure that the incubator’s marketing plan remains relevant and up-to-date.

It should include a section analyzing the competition in order to define how this may be addressed. It should identify direct and indirect forms of competition (including, for example, online virtual incubation sites) and set out the competitive advantages of the incubator.

Section 2.4.2: Marketing goals and strategies
A list of specific marketing goals and strategies to achieve the incubator’s overall strategic objectives should be established.

This will often follow the ‘marketing mix’ formula addressing the:

- Product/service portfolio;
- Pricing strategies, including bundling;
- Place: how clients can access the services - whether on or off site or through virtual means;
- Process: how products/services are delivered;
- People: who is in contact with clients, how do they convey the value of the products/services on offer and how do these people perform against client expectations;
- Promotion: how to raise awareness about the incubator among potential clients and ensure they choose a particular product/service; and
- Physical evidence supporting the brand.
A timeline of marketing activities planned over the next year should be prepared with responsibilities clearly assigned to each individual. An estimate of the expected costs associated with each strategy or activity should be detailed. To improve accountability it is always advisable to try to measure the success of marketing activities such as the response to an advertising campaign.

How to set prices, in particular taking into consideration the incubator’s revenue sources

1. Managers need to understand their clients and determine what they are prepared to pay and then develop business models adapted to these conditions.

2. If an incubator has a good value proposition – even though at the planning stage, the incubator is not able to use a track record or good examples to convince the market – then rents can be charged at the commercial rate or higher for the type and quality of space offered. In setting rents, it is worth stepping rental rates per square meter with more expensive rates for smaller spaces that typically are not available on the commercial market. For example steps could be made for the ranges: 0-20, 20-30, 30-40, 40-60, 60-100, 100 square meters+, decreasing the rate per square meter for larger areas for which commercial equivalents may well be available. Many incubators only rent very small spaces and, therefore, discourage growth on site which is detrimental for all concerned, often because they do not have enough space in the first place.

3. Office services such as the facilities to send faxes, photocopy, make phone calls or use the internet can also be benchmarked against the current market values. The (cost) advantage should not be based on covering real costs, but on sharing resources. As a simple example: the advantage is not to charge for photocopies at a lower price per piece, the advantage is that a client firm does not need to lease (or buy) a photocopier, which is a particular advantage when the number of copies required is rather low to justify such a purchase.

4. Royalties and equity are more difficult to define, but in the end the rates need to cover the incubator’s costs and allow for failures as well as the fact that, with these models, the vast bulk of the return will be derived from only 10-20% of clients. For this reason, venture capital benchmarks are a useful guide. For royalties, which can be up to 7.5%, franchising benchmarks can also serve as pointers. The royalties on licensing IP should also be considered. Modeling for equity and royalty needs to be for a 10 year period and will help people determine what is feasible and what the rate should be.

Note: “Royalty” is a model in incubation that has neither a broad basis of experience nor a long track record. It is experimental and only the future will show if this will be a solid business basis for incubators (in developing countries).
5. When discussing prices, incubator planners and managers should also be aware that although subsidies might enable the incubator to offer services at below market rates, this might have a negative impact on for-profit competitors/market actors, which should be avoided.

Some pointers on how to convince entrepreneurs to spend their scarce resources on purchasing services and signing royalty agreements may include:

1. Starting with a clear marketing strategy. Defining a strategy is important since it provides a basis for future action and means that all future actions should contribute towards achieving the goals of the strategy.

2. Selling the incubators services through credible personnel that have sufficient training and experience to explain the services offered and clearly lay out their advantages.

3. Using past and current clients. The more successful companies coming out of the incubator; the easier it becomes to sell. The greater the satisfaction of current clients, the more likely new clients are to be attracted to the incubator.

Note: Each of these aspects is described in more detail in Module 4 of the training program “Marketing and Stakeholder Management.”
Section 2.5: Management and Operational Planning

Section 2.5.1: Incubating enterprises on-site

Even before creating their enterprises, potential entrepreneurs may need suitable premises and equipment in order to prepare their business ideas, develop their product or service further, and meet with potential clients, suppliers or investors.

When starting up a new business, the space required is generally very small and often an office space of less than 10 square meters is needed. The entrepreneur may hesitate before entering into a long-term lease, either through the fear of failure or because the premises risk being too small in the fairly short-term.

The potential entrepreneur is, therefore, often faced with the following dilemma: to rent small premises and be bound by a lease, or to rent larger premises from the outset and bear the cost of excessive rent during this early period of activities.

In many areas, in particular in Europe, small premises are very difficult to find and leasing agreements often impose very heavy penalties in the event of premature termination.

Incubators can address this need by:

- Making modular space available in the incubator such that pre-incubation clients may be housed at a reasonable rent with a flexible leasing agreement ("easy-in, easy-out" e.g. renting on a weekly basis), whilst always having the option to increase the space rented;

- Offering shared space, with small working areas, or hot-desking arrangements for which entrepreneurs can reserve a shared workspace area for a limited period of time (for example up to 10 hours per week), as explored in Component 1 of the current module; and

- Providing assistance in finding larger or permanent premises at a later stage, as part of the graduation policy of the incubator.

In the ‘Science Park’ scenario, graduates from incubators can move from their start-up premises out to the wider Science Park sometimes benefiting from preferential rates or conditions. The more important benefit is that these companies remain part of the networked community and benefit from the Park’s image, networks and activities.

Adapted from EBN Vademecum
A survey by EBN incubators in Europe\textsuperscript{43} revealed that the majority of entrepreneurs interviewed were not prepared to pay a higher-than-normal rent in order to set up in an incubation centre and that they were particularly suspicious with regard to maintenance and service charges. However, contradicting these results, several incubators did charge rents in excess of the market price and still had long waiting periods.

The possibility to access shared premises can offer a number of advantages for incubatees:

- Availability of shared services, such as common reception and meeting room facilities as well as production and warehouse space for some specialized incubators;
- Economies of scale in running costs, such as high speed broadband at lower cost;
- Networking opportunities and co-operation with other tenants (discovering new ideas following their involvement in or development of joint-products, or group purchasing at reduced costs);
- Easier access to mentors/or tried and tested experts or consultants/other service providers who are familiar with dealing with start-up companies and offer value for money services;
- Assistance in identifying and applying for funding opportunities;
- Marketing benefits achieved by association with a credible professional organization.

The disadvantages of shared premises may include:

- Lower identity status;
- Higher charges in some cases, in particular in high profile sector focused incubators;
- Loss of independence due to the fact that mentors review the company development; and
- Being seen to need support (certain entrepreneurs may believe that being located in an incubator lowers their credibility as a competent business).

\textsuperscript{43} Ibid
lists. Therefore it may be concluded that intangible factors, such as market reputation and “added value”, can directly affect the revenue-earning potential of the incubator.

Further information on operational models for incubators can be obtained from iDisc44.

Section 2.5.2: Funding the incubation activities

In most cases the provision of physical incubation represents a cost for the incubator. Ideally these costs should be covered by equivalent income from tenants.

If these receipts are not sufficient, which they rarely are, the incubator may need other revenue streams either from donors/public support or by proposing other services to tenants, such as accounting services for example, or by implementing success-sharing mechanisms (royalties or brokerage fees can be an option).

Note: These options are reviewed in greater detail in Module 5 of the training program, “Financing an Incubator.”

Ideally, an incubator could be provided suitable premises from its public and/or private sponsors. In this scenario, profits from premises obtained at no cost would provide the incubator with revenue to finance its long-term expenditures. This could even be the key to future self-financing in cases where the premises are sufficiently large.

44 Source: http://www.idisc.net/en/Article.75.html
Another way to balance the books is to consider keeping a few long-term tenants that are often referred to as anchor tenants. These companies assure a long-term rental income for the incubator. A good strategy is to retain anchor tenants that can propose services to new incubatees (web designers are a good example) that will contribute to the overall success of the incubator and the tenant companies.

Section 2.5.3: Overview of human resource requirements

Staff need to be recruited to provide a good level of service in the following key areas:

- Administration of the incubator – financial, legal, human resources, and information technology;
- Development and maintenance of the physical environment (internal and external) through provision of quality infrastructure and office services to clients – such as accesses and furnishings and including office services and ICT facilities (faxes, photocopying, phone and internet), among others;
- Provision of quality business development services to clients;
- Marketing, stakeholder management and PR; and
- Strategic planning, reporting, monitoring and evaluation.

Note: The aspects included in this section are explored in more detail in Module 6 of the training program “Managing the Incubator”.

The management of human resources covers employee (staff member) recruitment and development. Aiming for a high performing human resource management system is very important for a number of reasons:

- It will help ensure a high level of performance within the incubator, and will also serve to demonstrate the value of such an approach to the incubated enterprises.

- This is a complex area that is very important to the incubator, due to the need to cover costs, to make the most of resources, and circulate information quickly.
Within the EBN network, the following staff-to-client ratios have been identified over the period 2005-2008:

<table>
<thead>
<tr>
<th>Average number of companies assisted per fulltime equivalent member of the BIC staff</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>8.30</td>
<td>8.69</td>
<td>8.00</td>
<td>8.72</td>
</tr>
</tbody>
</table>

**Table 7 – Average number of clients supported by a full-time employee of an incubator (member of EBN)**

Human resources management plays important role in the incubator reaching its strategic goals.

New business approaches are demanding new ways to involve people. Speed, flexibility, and innovation can only be achieved when the incubator’s business objectives are supported by high-quality employee management. Incubators, and incubated companies, that understand this will have a competitive advantage.

Incubator managers must prepare specific programs to develop the people who work for them (their human capital). This will help to attract new staff, encourage staff to continue working for the incubator and support their skills development. Motivational tools can be used to maintain workers enthusiasm for contributing to the incubator. Managers must understand the key working processes and create environments that support efficiency, productivity and help employees to enjoy their work. Hence, it is highly important to have a business incubator manager with the right skills at the head of the organization as the MEIA study reported: “The effectiveness of the most successful grantees can be linked directly to the skills, vision and commitment of their leaders and leadership teams. In organizations where managers were singled out for their exceptional capacity, they seem to embody a definition of leadership that emphasizes the success of other people. These individuals are not only building sustainable organizations, but are also using them to drive change in and beyond their local environments. In some cases, they are at the forefront of national and regional campaigns to promote innovation and entrepreneurship. (...) managers across the program, (...) are succeeding by leveraging a particular combination of experiences, skills and attitudes.”

Incubators must have ways of assessing the people they employ, including their work performance as well as any areas of need, such as training.

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46 Source: [infoDev – Implications](http://www.idisc.net/en/Page.MEIA.Study.Observations.html#Business_Incubation_Develops)
A common problem for business incubators, especially in developing countries, is the high staff turnover, which implies that the incubator has to re-establish trust and relationships with clients and partners quite often. It is, therefore, important to put in place incentives to for staff to stay (incubator managers often receive a salary that is too low), to have good “customer relationship management” (CRM) systems and ideally to have a Deputy Manager who can potentially step in.

Section 2.5.4: The business plan as a management tool
An incubator business plan is often prepared prior to set-up as a way of securing stakeholder support and of course finance. All too often though, the business plan is not used sufficiently after this. It is important, however, that the incubator management team and board of directors review and update the business plan on a regular basis and ensure that any changes are integrated into operations in an organized way. It is recommended that the business plan is formally reviewed at board level at least once per year and that progress against the key objectives outlined in the business plan are measured on a regular basis. A business plan review will ensure that the incubator management team are aware of changing market trends and stakeholder priorities and are able to adapt their operational policies to respond accordingly. In this way, the incubator will continue to remain at the forefront of entrepreneurship development and innovation in its area.
COMPONENT CONCLUSIONS

A business incubator, like any other business, needs a robust business plan as a roadmap towards success.

By outlining the current situation in the innovation and entrepreneurship ecosystem, for example through a SWOT analysis, the incubator can position itself in this general context. The business plan is a tool enabling the incubator to define its vision, mission and strategy in detail in order to accomplish its expected impact. Hence, the incubator can set strategic objectives to be reached and define the operational procedures and structures that will allow it to achieve them. In particular, it should include the implementation of a strong marketing strategy, detail the business model under which it will operate, and describe aspects relating to the overall operational and financial management of the incubator. Making the business plan a reality is part of the strategic planning of the incubator.

For further information about strategic planning see iDisc.47

47 Source: http://www.idisc.net/en/article.87.html
Case Studies
Planning an incubator as the local solution to foster local economical development

Incubator Name: Inkubator d.o.o., Sezana, Slovenia.
Sector: General Business Incubator
This Case Study Examines: How the organized efforts of local stakeholders may contribute to the creation of an incubator, new enterprises, jobs, and growth in the area concerned.
Date: October 2009

PART I

SUMMARY

Problem
Economic development is a local issue. In developing areas, the main problem faced is the limited number of economical actors to generate sufficient activities to lead to an overall local economic development.

Solution
To enable local economic development, fostering entrepreneurship and the development of small businesses is key. This has to be done at local level by local stakeholders and use a solution adapted to local needs i.e. planning an incubator to support entrepreneurs and foster the establishment and development of businesses in a given area.

PART II

BACKGROUND

In 1991, following a crisis in the manufacturing sector leading to the bankruptcy of a number local firms, the municipality of Sezana had to deal with several issues:
1. The high unemployment rate within the manufacturing sector;
2. The fact that the municipality was the default owner of the bankrupted companies’ buildings; and
3. The critical economical situation in the area.

The initiative to set up an incubator
The municipality of Sezana approached a leading consultancy firm focused on services for SMEs, Sloveneta d.o.o., to propose a partnership in which the factory buildings from the bankrupt companies would be developed into a business incubator. The idea was to found a local institution encouraging the creation and development of small businesses with the aim to tackle the three issues mentioned above.
The stakeholders ‘buy-in’

The municipality and consultancy partners received the financial support of the Slovenian Ministry of Economy which co-financed the feasibility study and business plan of the incubator to be established in Sezana.

The ownership and management of the incubator

The incubator management relied on the original partnership between the municipality and Sloveneta with the municipality owning 80% and the consultancy firm the remaining 20%. The daily management of the business incubator was carried out by Sloveneta, as the managing partner of the consortium.

The funding of the incubator and its equipment

The buildings were available from the beginning, since the idea was to make use of the abandoned factories. However, they would need to be renovated in order to develop suitable conditions that would meet the needs of the incubator. Therefore, the owners of the incubator decided to sell the machinery left from the factories in order to generate income that would allow them to buy the equipment necessary for the incubator to begin operation.

Due to its geographical location, on the border with Italy, the municipality of Sezana approached its Italian partners to set-up cross-border cooperation projects within the framework of the European Union programs. The cross-border partnership received the equivalent of 360,000 Euros which permitted the refurbishment and enlargement of the factory premises into a 7,000 square meter flexible incubation space.

In the years that followed, the incubator, which was named “Inkubator” received an additional 200,000 Euros of EU co-financing to set-up an infrastructure dedicated to small businesses within the incubator site and create a “small business zone”.

In 2006, Inkubator received a co-financing of 1.5 million Euros from the EU and national ministries amounting to a total investment of three million Euros to build a 2,500 square meter Business and Innovation Centre (BIC) dedicated to innovative companies.

The hosting of incubatees

The incubation space was made available to incubatees a subsidized rate for the first two years increasing over time, but remaining below market rates.

The office space made available was furnished by the incubatees themselves to suit their needs.

The services offered to the incubator’s client companies

The incubator staff circulated a questionnaire among their current and potential client base to assess their business support services needs. The incubator then developed services to meet the needs identified.
The incubator offers several services including:

- Analysis and evaluation of the technological, market and financial aspects of a project;
- A package of services for developing entrepreneurial skills;
- Assistance in the preparation of business plans;
- Support in raising financial resources;
- Coaching for companies in their first few years of development;
- Establishing connections between companies and knowledge centers;
- Cross-border cooperation for SMEs in the field of internationalization; and
- Introducing innovation to existing companies.

TIMELINE OF EVENTS

1991: The municipality of Sezana finds itself the owner of a number buildings from bankrupted manufacturing factories.
1997: The incubator receives EU funds under the framework of the Cross Border Co-operation (CBC) program.
1998: The EU funds enable the reconstruction and enlargement of the incubator.
2002-2005: First phase of moving graduate companies to the post-incubation zone.
2006: The focus of the incubator shifts from entrepreneurship and job creation to innovation and added value. In this context, it joined the European Business and Innovation Centre Network (EBN) and opened the Business and Innovation Centre (BIC) of Sezana.

OUTCOME AND CONCLUSIONS

Inkubator d.o.o. has had support from both public and partner organizations from the start, first of all from the municipality of Sezana and the consultancy firm Sloveneta, but also from international partnerships built in the context of the incubator’s participation in European Union programs.

The results of its past 17 years of operation can be summarized as follows:

- 84 graduates
- 350 jobs created
- 10,000 square meters of incubation space
- 40 current incubatees including 20 start-ups and 20 post incubatees
- 235 employees/jobs
- 46 offices/ service units/ laboratories
- 21 production units
- Between 7 and 14 storage rooms
- Three class rooms
- Two seminar rooms
- One conference room
- One conference hall
- One restaurant

PART III

LINKS

Inkubator d.o.o. website: http://www.inkubator.si/eng

REFERENCES

The material for this case study was contributed by the current Incubator Director, Mr Stojan Gorup. The information above is extracted from firsthand experience and personal involvement in the establishment of Inkubator d.o.o.

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The importance of having a vision for the incubator

**Incubator Name:** BIOS Business Incubator, Osijek, Croatia.

**Sector:** General Business Incubator

**This Case Study Examines:** The crucial importance of defining a vision for the incubator to plan its operations.

**Date:** October 2009

**PART I**

**SUMMARY**

**Problem:**
Some may consider that having a building that offers office space to enterprises is key to planning an incubator and allow the organization to operate. However, without a clear plan drawing up a framework under which the incubator can operate and raising awareness about its mission, the incubator’s usefulness and added value to the area might be severely affected.

**Solution:**
The business incubator manager must clearly identify a vision for the incubator through the incubator’s business plan addressing the following aspects:

- The incubator’s mission;
- The incubator’s goals and objectives; and
- The incubator’s activities.

**PART II**

**BACKGROUND**

The incubator of the city of Osijek, in Croatia, was first established in 1997 within two buildings comprising a total of 1067.38 square meters. Despite having available space to carry out incubation activities, the incubator did not start functioning until 2002.

Indeed, when appointed as the new manager of the business incubator, Mr. Igor Medic produced the incubator’s business plan to clearly identify the vision he had for the incubator: “A creative and
stimulating business atmosphere where new entrepreneurs are provided with adequate growth and development conditions”.

The incubator’s business plan – main aspects:

The market analysis

The BIOS incubator carried out market research within the network of incubators in Croatia in order to identify the business support needs and expectations, from their current and potential client companies.

The results of the survey identified two main business support needs/ expectations from Croatian companies:

- To be able to rent office space for a rent below the market price; and
- To have access to traditional business support services.

The incubator’s mission:

Supporting SME development by providing office space, production facilities, and other business-related services in the most critical development phases. By carrying out these activities, the incubator aims to contribute to economic development and to decrease the unemployment rate in Osijek.

The incubator’s goals:

- To contribute to local economic development;
- To promote local SMEs and provide assistance to support the development of new businesses;
- To increase the survival rate of businesses in the market;
- To decrease start-up market failure probability;
- To enable cost-efficient business set-up and growth processes;
- To provide business consulting, educational, technical assistance and other services to the incubator’s tenants and other SMEs in the area of Osijek;
- To foster innovations and the development of new technologies;
- To foster the commercialization of scientific research; and
- To contribute to the reduction of the unemployment rate in Croatia.

The incubator’s service offer:

- Business facilities made available at a lease renting price;
- Organizational and business consulting assistance;
- Entrepreneurial and technology education;
- Know-how and technology transfer;
- Assistance to the development of tenants’ business plans;
- Market research and promotion;
- Business skills development;
• Licensing mediation, management and project management education;
• Certification consulting assistance;
• Joint marketing efforts and access to trade fairs and exhibitions;
• Entrepreneurship promotion and networking;
• Additional services (web design, printing and graphic design, etc.);
• Computer assistance and broadband Internet usage;
• Audiovisual equipment and conference room lease;
• Access to fax and photocopy machines;
• Accounting and legal consulting assistance;
• Administrative services; and
• Presentation of tenants’ businesses on the incubator web portal (www.inkubator.hr).

The incubator’s management team implementation objectives:
• To promote entrepreneurship and an entrepreneurial spirit through the promotion of the BIOS incubator as a single contact point for any entrepreneurial related queries;
• To attract tenants through various means including local TV shows, radio and newspapers;
• To promote the incubator via the incubator’s website and at events, as well as through the incubator’s partners such as the institute supporting unemployed people, the authorities in charge of the city and county of Osijek, as well as credit institutions and banks;
• To reach an 80% occupancy rate within two years; and
• To increase the incubation space available within BIOS.

In 2005, BIOS applied to receive funds from the European Union (925,286.02 Euros) to complete the city’s contribution of 510,000 Euros in order to reach an overall investment of just over 1,434,774 Euros to build 2000 square meters of new premises dedicated to creating a technological department.

TIMELINE OF EVENTS

1997: Setting-up of BIOS.
2002: The creation of the business plan, which allowed the new manager to properly initiate incubation activities.
2009: Inauguration of a new technological department incubating 13 companies.
OUTCOME AND CONCLUSIONS

As far as the three implementation goals are concerned:

- BIOS has been awarded the 2008 award for “best incubator” in Croatia.
- The incubator reached an occupancy rate of over 80% within two years.
- Since 1st May 2009, 13 new companies are hosted in the new technological department (meaning that an occupancy rate of over 85% has been reached).

In 2009, with the initial vision of the incubator having been realized, the new manager needed to define new goals for BIOS through a new business plan identifying a strategy for the short, middle, and long-term.

The new vision for the incubator focuses on the following:

- Facilitating and enabling start-ups’ access to funding (through business angels, venture capitalists, banks, government subsidies, EU funds, etc.);
- Increasing cooperation with universities in order to enhance technology commercialization and the emergence of successful spin-offs in response to the high demand from university-based companies; and
- Developing new projects such as the setting up of a virtual incubator to solve the space issue (not enough incubation space available for the current demand).

PART III

LINKS

BIOS website: http://www.inkubator.hr/2.html

REFERENCES

The material for this case study was contributed by Mr Tomislav Seric, Director of BIOS. The information above is from firsthand experience.

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Le Kef Essor Tecnologique

Incubator Name: Le Kef, Tunisia.
Sector: General Incubator
This Case Study Examines: The establishment of a network of incubators in the Kef area of Tunisia.
Date: January 2010

PART I

SUMMARY

Problem:
In similarity to other areas in Tunisia, the area of Le Kef suffers from:
• A high unemployment rate and has large concentration of low skilled jobs;
• Emigration of young, ambitious, and highly qualified people to other areas with better opportunities;
• An absence of strong and well-established employers in the area; and
• A lack of critical mass for enterprise pre-incubation.

SOLUTION

The agency for the promotion of industry API (Agence pour la Promotion de l’Industrie decided to put in place a network of incubators (in areas with characteristics such as those in Le Kef) to accelerate the process of creation, growth and consolidation of innovative companies detecting and fostering the entrepreneurial capacities of the citizens. The main task of the incubators concerns the transfer of managerial skills to entrepreneurs.

An incubator provide should provide the following a set of tools:
• Facilitate the technical and commercial partners searches;
• Facilitate the integration of new businesses into the local, national and international markets;
• Provide economic data required by study projects (monographs and professional records, etc.); and
• Provide logistical support to enable entrepreneurs to operate (a secretarial service, office space for accommodation equipped with furniture and broadband internet connection, washroom facilities and shared services including a photocopier, phone, fax, meeting room, computer room, cleaning and babysitting).
PART II

BACKGROUND

Tunisia is a country located to the north of the Mediterranean African coast, whose capital is Tunis. It is the smallest country of the Maghreb covering an area of 165,000 km² and possessing a population estimated at around 10.3 million inhabitants. The Sahara desert covers approximately 40% of the country, whereas the rest is fertile and productive agricultural land. Kef is an area located in the northwest of Tunisia near the border with Algeria. It has around 300,000 inhabitants of which 100,000 live in the capital city, Kef. In the Kef area, 70% of economic production is related to agriculture, mainly olive oil and wheat production. The presence of industry is minimal. In the early years of the millennium, there were only 50 enterprises which employed more than 50 people.

The problems that needed to be tackled included the following:
• Insufficient innovative ideas, and a restricted and competitive market for traditional projects;
• Difficulties for SMEs to access finance (particularly from banks);
• Lack of capacity for self-financing and obtaining funds, especially for young people; and
• The absence of knowledge about sponsorship programs.

“Le KEF Essor Technologique” was created in October 2004 under the supervision of the Ministry of Industry, Energy and SMEs, as part of a national strategy for the encouragement of the business creation through providing training and accommodation. This strategy is implemented by API, an agency that belongs to the Tunisian Ministry of Industry. The incubator, named “Le Kef”, was one of the first incubators set-up in Tunisia, to foster the innovation and entrepreneurship ecosystem of Le Kef area. The national strategy to encourage entrepreneurship follows an agreement between API and the Tunisian Academic system to encourage young technical university students to set-up their own business. This set of incubators has the following characteristics:
• It follows an integrated model for the development of the area that allows the local economic actors to participate in the creation of enterprises; and
• It also uses a networking model with standardized procedures for 24 incubators covering the 24 provinces of Tunisia.

This strategy aims to encourage entrepreneurship through incubation all over the country to increase the figure of enterprise creation in Tunisia by 50%.
Some characteristics of the “Le Kef” incubator include:

- It was built in one of the ISETs (Higher Institutes of Technical Studies), located on the Boulifa Kef –Tunisia campus. All incubators established as part of the national strategy are physically located at ISET campuses to allow efficient technology transfer from the research carried out by the students to their businesses. The students attending ISETs are its expected users and will be able to take advantage of its excellent location, infrastructure and business coaching to realize their business project.
- It covers an area of 1,650 square meters.
- Its reception capacity includes 10 offices and two workshops: six offices of 20 square meters and four offices of 50 square meters each.

The following services are available:

- Incubation;
- Information & Guidance;
- Training and Coaching;
- Accommodation; and
- Funding (a financial package is made available to entrepreneurs worth 200 Euros/month).

Since its creation, the “Le Kef” incubator participated actively in the promotion of an entrepreneurial culture, especially in the industrial areas and services linked to the area of agriculture. This was particularly because the absence of this culture was always the origin of the lack of new enterprises in the area. The events entitled “Wednesdays for the creation of enterprises” for instance, are monthly demonstrations whose objective is to enhance the entrepreneurial culture amongst the young people of the area. It is an opportunity to make the pre-incubation services known to the young people, i.e. to develop a business plan, to seek financing from banks and financial support organizations from the province.

**TIMELINE OF EVENTS**

2004: Launch of “Le Kef” incubator.
2007: Completion of the incubator building.
OUTCOME AND CONCLUSIONS

Since its launch in October 2004, and up to the end of 2009, Le Kef Essor Technologique has accomplished the following:

- The total investments made amount to 572,480.62 US$.
- Two annual training sessions on the development of a business plan for young entrepreneurs with a total of 312 attendees, were carried out. A total of 26 robust and coherent business plans have been produced.
- Out of the 69 incubated businesses over the same period, 32 graduated from the incubator.
- The total number of jobs created over the five-year period was 112.
- The incubator organized 27 events entitled “Wednesdays for the creation of enterprises”, which attracted a total of 250 participants.

PART III

LINKS

API website: www.tunisieindustrie.nat.tn

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The material for this case study was contributed by Mr Alvaro Simón de Blas, Director General of BIC EURONOVA S.A. The information above is from firsthand experience, i.e. obtained through the technical assistance mission realized in the context of the contract between API and PTA (Technological Park of Andalusia) Spain.

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Annex: Maputo Business Incubator Feasibility Study Summary
MAPUTO BUSINESS INCUBATOR
FEASIBILITY SUMMARY FOR SETTING UP A BUSINESS INCUBATOR IN MAPUTO, MOZAMBIQUE

infoDev
IFC

WHAT IS BUSINESS INCUBATION?

- SMEs = engine for innovation & growth in most economies
- 60-80% failure rate in first 4 years
- Incubation = a building, with shared resources
- Enabling environment’s dramatic impact for SMEs
- Germinate, incubate, accelerate: many ‘flavours’
- The environment is key: resources & flexible leases
- The ‘neighbours’ are key: networking & knowledge share
- Finance, Legal, Business development etc. optional

infoDev & IFC Maputo Business Incubator Feasibility Study - Mark Davies 2007
THE GHANA EXPERIENCE

- opened 2001; 5 businesses in one
- cybercafe; copycentre; offices; conference; restaurant
- added an ISP in 2005 (now 40% revenues)
- profitable from the start, but only 8% return
- very popular brand: 800 visitors daily
- shallow & broad incubation approach
- no reliable source of public funding
- not many ICT startup companies
- basic business skills lacking; basic services needed
- critical to create the environment for innovation & learning
- unique access to the youth through the building & brand

PROPOSAL FOR MAPUTO

- Simplicity is key (run the building; not the businesses)
- Volume is key (bigger space than Ghana)
- Flexibility is key: mixed revenues/programs/networking
- Public involvement: key to making the investment attractive, and for awareness/leadership
- Keep incubation simple; accelerate, don’t germinate!
FEASIBILITY STUDY EARLY 2007

- over 50 interviews conducted
- 220 office spaces visited: over 50 samples
- sample pricing of retail shop rentals
- listing of 87 ICT companies in Maputo
- 3 conceptual designs by local architect
- initial estimates from 4 construction companies
- identification of potential sponsors/tenants
- 5-yr Financial plan developed

KEY CONCLUSIONS

- Support from both public and private sector
- Not a large ICT industry; must be mixed-use
- Shortage of Office space in Maputo
OFFICE SHORTAGE IN MAPUTO

- 220 locations visited
- 50 datapoints achieved
- Prices vary dramatically ($6-42/m²)
- Only four buildings ‘appropriate’ for SME high-tech startups (JAT, TimesSq, Tiger, 33)
- 99% occupancy; average $16/m²
- Demand is high, availability low
- New office developments (FACIM) soon

THE LOCATION

1 hectare site
Base N’Tchininga
THE BUILDING

OPEN COURTYARD DESIGN

InfoDev & IFC Maputo Business Incubator Feasibility Study – Mark Davies 2007
OTHER DESIGNS

THE SERVICES

Offices
Incubator
Shops
THE GROUND FLOOR - SHOPS
Mostly Business Services / Technology

INCUBATOR OFFICES
40 offices
25m2
$350/month
Flexible leases
Shared resources
Reception
Voicemail
Internet
Meeting rooms
INCUBATOR PROGRAM

A great manager is key!

- mentors
- support groups
- referrals
- offices
- assessments
- networking
- sme toolkit
- monthly debates
- workshops
- sme calendar

COMMERCIAL OFFICE SPACE

State of the art
Fibre Networks
Custom Buildout
Private Entrance
$16/m²

infoDev & IFC Maputo Business Incubator Feasibility Study – Mark Davies 2007
THE FINANCIALS

- Flexible model blending different revenue streams
- Can move in/out of incubation as funds/market dictate
- Commercial rents cross-subsidize incubation program
PROJECT COST

4 floors (6,000 m² x $550)  3,300,000
auditorium                220,500
external areas            100,000
network & datacentre      300,000
software                  20,000
office equipment          50,000
power equipment           200,000
airconditioning           40,000
furniture/fixtures        200,000
vehicle                   15,000
contingency               181,025
working capital           100,000
startup                   168,347

$USD  4,894,872

infoDev & IFC  Maputo Business Incubator feasibility study – Mark Davies 2007
### KEY ASSUMPTIONS

- 4 floors, each with 1,500m²
- Cost to build averages $550m²
- Two top floors ‘unfinished’
- Office rentals start at $16/m² ($20 after 8 years)
- Retail Shop rentals start at $24/m² ($30 after 8 years)
- Incubator rental start at $12/m² ($15 in 8 yrs)
- Occupancy (first year; 90% in year 3):
  - Offices 50%
  - Shops 60%
  - Incubator 50%

---

**Revenue Analysis**

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
<th>Year 8</th>
</tr>
</thead>
<tbody>
<tr>
<td>new</td>
<td>91,460</td>
<td>94,719</td>
<td>99,795</td>
<td>104,797</td>
<td>109,795</td>
<td>114,795</td>
<td>119,795</td>
<td>124,795</td>
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<tr>
<td>corporate</td>
<td>230,490</td>
<td>236,490</td>
<td>242,490</td>
<td>248,490</td>
<td>254,490</td>
<td>260,490</td>
<td>266,490</td>
<td>272,490</td>
</tr>
<tr>
<td>incubator</td>
<td>75,650</td>
<td>81,820</td>
<td>88,390</td>
<td>95,960</td>
<td>103,530</td>
<td>111,100</td>
<td>118,670</td>
<td>126,240</td>
</tr>
<tr>
<td>others</td>
<td>1,804</td>
<td>1,968</td>
<td>2,132</td>
<td>2,296</td>
<td>2,460</td>
<td>2,624</td>
<td>2,788</td>
<td>2,952</td>
</tr>
<tr>
<td>total</td>
<td>398,704</td>
<td>416,965</td>
<td>435,357</td>
<td>454,750</td>
<td>474,143</td>
<td>493,537</td>
<td>512,931</td>
<td>532,325</td>
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</table>

**Gross Revenue**

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
<th>Year 8</th>
</tr>
</thead>
<tbody>
<tr>
<td>sales</td>
<td>141,754</td>
<td>159,752</td>
<td>178,782</td>
<td>197,812</td>
<td>216,842</td>
<td>235,872</td>
<td>254,892</td>
<td>273,892</td>
</tr>
<tr>
<td>V.A.T.</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>amount</td>
<td>141,754</td>
<td>159,752</td>
<td>178,782</td>
<td>197,812</td>
<td>216,842</td>
<td>235,872</td>
<td>254,892</td>
<td>273,892</td>
</tr>
</tbody>
</table>

**Net Revenue**

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
<th>Year 8</th>
</tr>
</thead>
<tbody>
<tr>
<td>sales</td>
<td>141,754</td>
<td>159,752</td>
<td>178,782</td>
<td>197,812</td>
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<td>273,892</td>
</tr>
<tr>
<td>V.A.T.</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<td>0</td>
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<td>0</td>
<td>0</td>
</tr>
<tr>
<td>amount</td>
<td>141,754</td>
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<td>216,842</td>
<td>235,872</td>
<td>254,892</td>
<td>273,892</td>
</tr>
</tbody>
</table>

---

**Operating Expenditure**

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
<th>Year 8</th>
</tr>
</thead>
<tbody>
<tr>
<td>electricity</td>
<td>38,050</td>
<td>38,490</td>
<td>38,930</td>
<td>39,370</td>
<td>39,810</td>
<td>40,250</td>
<td>40,690</td>
<td>41,130</td>
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<tr>
<td>rent</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>maintenance</td>
<td>27,650</td>
<td>28,190</td>
<td>28,730</td>
<td>29,270</td>
<td>29,810</td>
<td>30,350</td>
<td>30,890</td>
<td>31,430</td>
</tr>
<tr>
<td>other</td>
<td>58,750</td>
<td>62,490</td>
<td>66,230</td>
<td>69,970</td>
<td>73,710</td>
<td>77,450</td>
<td>81,190</td>
<td>84,930</td>
</tr>
<tr>
<td>payroll</td>
<td>200,550</td>
<td>212,290</td>
<td>223,950</td>
<td>235,610</td>
<td>247,270</td>
<td>258,930</td>
<td>270,690</td>
<td>282,350</td>
</tr>
<tr>
<td>contingency</td>
<td>10,280</td>
<td>10,820</td>
<td>11,360</td>
<td>11,900</td>
<td>12,440</td>
<td>12,980</td>
<td>13,520</td>
<td>14,060</td>
</tr>
<tr>
<td>total</td>
<td>299,250</td>
<td>311,990</td>
<td>324,650</td>
<td>337,310</td>
<td>349,970</td>
<td>362,630</td>
<td>375,290</td>
<td>387,950</td>
</tr>
</tbody>
</table>

**EBITDA**

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
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<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
<th>Year 8</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>188,906</td>
<td>214,956</td>
<td>240,976</td>
<td>266,996</td>
<td>292,976</td>
<td>318,996</td>
<td>344,996</td>
<td>370,996</td>
</tr>
<tr>
<td>EBIT</td>
<td>150,706</td>
<td>176,756</td>
<td>201,776</td>
<td>227,796</td>
<td>253,776</td>
<td>279,796</td>
<td>305,796</td>
<td>331,796</td>
</tr>
<tr>
<td>taxes</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>net income</td>
<td>150,706</td>
<td>176,756</td>
<td>201,776</td>
<td>227,796</td>
<td>253,776</td>
<td>279,796</td>
<td>305,796</td>
<td>331,796</td>
</tr>
</tbody>
</table>

---

**EBITDA Margin**

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
<th>Year 8</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA margin</td>
<td>34.1%</td>
<td>30.4%</td>
<td>26.7%</td>
<td>23.0%</td>
<td>19.3%</td>
<td>15.6%</td>
<td>11.9%</td>
<td>8.2%</td>
</tr>
<tr>
<td>net income margin</td>
<td>47.4%</td>
<td>43.7%</td>
<td>40.0%</td>
<td>36.3%</td>
<td>32.6%</td>
<td>28.9%</td>
<td>25.2%</td>
<td>21.5%</td>
</tr>
</tbody>
</table>
NOT ATTRACTIVE AS A PURE PRIVATE PLAY

- $8,000,000 in gross revenues in 8 years
- $590,000 net income over 8 years
- 8yr average margins:
  - 55% EBITDA; 14% EBIT; 4% net income
  - 7% IRR
- The public sector must participate to make this an attractive business for the private sector to run

FUNDING PROPOSAL

- $800,000 long-term loan from IFC
- $2,000,000 grant from public sector/donors
- $2,000,000 from private investment
- $100,000 short term loan
ROLLOUT SCHEDULE

Selection

Financing

Construction

Jan 08  Mar 08  May 08  Jan 08  Apr 09

Hiring

THE RISKS

- lease term too short to realize decent ROI
- sudden influx of office space in Maputo
- not enough companies to rent
- location not as attractive as CBD
- construction significantly more than $550/m2