



Suite 2

Business Incubator
Operations

06 Managing the Incubator



Trainee Manual Part 1



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Introduction to the Training Program

INTRODUCTION TO THE TRAINING PROGRAM

This is the trainee manual for Module 6 Part 1 – 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 countries.¹

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.

¹ Source: *infoDev* activities from 2002 to 2009 - <http://www.infodev.org/en/Article.473.html>

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.

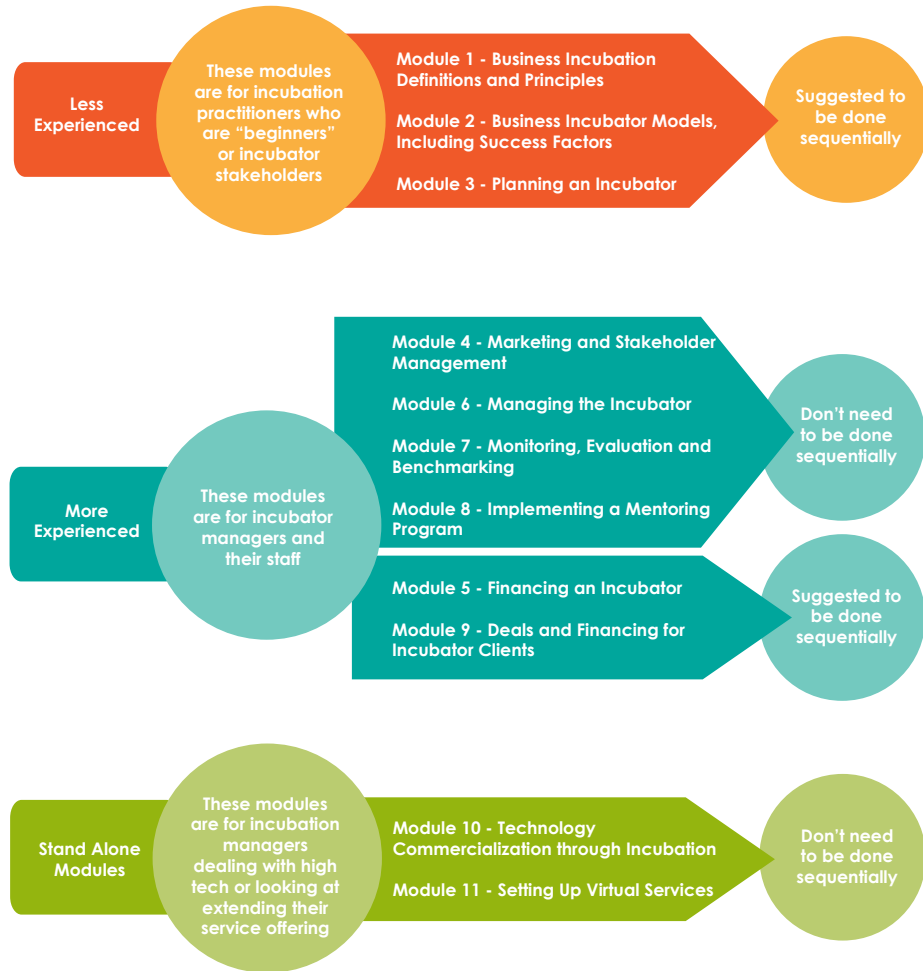


Figure 1 – Module Selection and Sequence



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Module Objectives

The overall objective of this module is to provide participants with an overview of sound management practices in a successful incubator.

TRAINEE TRAINING OBJECTIVES

By the end of this training module, the trainee will understand:

- How to formulate key incubation policies, such as entry and exit criteria;
- How to formulate, implement and maintain an incubator structure;
- How to manage a Private Public Partnership effectively;
- The roles and responsibilities of various key players; and
- How to manage and motivate the incubator's staff.



Introduction to this Module

Managing an incubator is a demanding and challenging role. On one hand incubator managers need to carefully manage the day-to-day operations of their incubator in order to meet financial and marketing targets. On the other hand, incubator managers need an entrepreneurial mindset in order to facilitate the development of and growth of products, services and businesses. These goals are sometimes difficult to balance.

Nonetheless, the incubator's success is certainly due to the way the incubator is managed in both the short and long-term. Issues relating to the incubator-incubatee relationship can have an important influence on the success of an incubator. These include for example: which businesses to select to enter the incubation program; the terms and conditions of the incubation agreement; when and why an incubatee should leave the incubator; and the governance rules that clarify the roles and responsibilities of the Board of Directors.

Such issues are discussed in this module in order to support incubator managers in successfully managing their organization in a challenging and competitive landscape.



Component 1 (Part 1 Training):

Incubator Policies

COMPONENT INDEX**Section 1.1:** Client Selection**Section 1.1.1:** Entry Criteria**Section 1.1.2:** Selection Panel/Committee**Section 1.1.3:** How to best assess the Business Idea**Section 1.1.4:** How to best assess the Entrepreneurial Potential of the Entrepreneur**Section 1.1.5:** How to best assess the growth potential of the Business Idea**Section 1.1.6:** Managing Expectations**Section 1.1.7:** The Role of the Selection Process in ensuring the Incubator's Stability**Section 1.2:** Incubator Programs: Incubator Contracts**Section 1.2.1:** Incubation Agreements**Section 1.2.2:** Incubator-Client Handbook**Section 1.2.3:** Monitoring Company Development**Section 1.3:** Exit/Graduation Policies**Section 1.3.1:** Differentiation between 'Graduation' and 'Exit'**Section 1.3.2:** Key Considerations when setting a Graduation Policy**Section 1.3.3:** The value of Graduation Functions**Section 1.3.4:** Summary of Graduation or Exit Criteria**Section 1.3.5:** Post-graduation Follow-up**COMPONENT OBJECTIVES**

Business incubators can have a wide variety of overall objectives, as discussed in previous modules of the current Training Program, in particular Module 1 "Business Incubation Definition and Principles", Module 2 "Business Incubator Models, including Success Factors" and Module 3 "Planning an Incubator". For instance, the incubator may aim to change local culture and perceptions of entrepreneurship and economic growth. It may aim to improve social capital and trust, to foster innovation and entrepreneurship, to reduce poverty or to provide access to reliable energy and/or IT providers. The incubator's policies must be designed in such a way that they enable the incubator to achieve these goals. Component 1 of this module aims to show trainees which key considerations should be taken into account when setting major policies, such as how to decide on what type of entrepreneur/start-up qualifies to enter the incubator (entry criteria), what process should be used to assess whether the applicant qualifies, how to ensure that the incubatee develops and grows its business, and at what stage the incubatee should exit the program.

Section 1.1: Client Selection

The selection of new incubatees is an important process which should be prepared accordingly. The benefits of an effective client selection process is summarized by Kathleen Cammarata:

“It helps an incubation program acquire an optimal mix of client companies, it keeps businesses flowing into a program smoothly and efficiently, it weeds out fly-by-night entrepreneurs from those truly committed to, and capable of, growing successful businesses and it helps an incubator manager or selection committee make tough decisions about who receives the program’s limited staff time, space and equipment. The ultimate goal of a client selection process is to determine whether a good match exists between the incubator’s resources and mission and the applicant’s needs and potential. This is an important step in supporting the first principle of effective business incubation. The incubator aspires to have a positive impact on its community’s economic health by maximizing the success of emerging companies.”²

Supporting unsuccessful companies presents an inherent risk to the stability and reputation of the incubator... Hence, defining and implementing an efficient client selection process that enables the incubator to incubate the right tenants is of the utmost importance.

In order to avoid establishing the structure before the strategy, it is advisable to decide first the entry criteria to be used for new incubatees, and then to compose a panel of experts who are qualified to assess if the entrepreneur, the business idea, and the technology meet the criteria that have been set.

Section 1.1.1: Entry Criteria

Good practice suggests that selection criteria should be applied to entrepreneurs interested in joining an incubator program. These “entry” criteria must take into account the objectives of the incubator and the outputs against which it will be measured. Establishing a clear set of entry criteria is the first step in an effective, strategic selection process, which may vary from incubator program to program and from incubator to incubator. These criteria may include business type, growth potential, and even commitment to staying in the local area after graduation. Setting specific entry criteria, combined with some well-honed instincts, will ensure the manager or selection committee selects applicants most appropriate for the program.

² Source: Cammarata, K. (2003) - Self-Evaluation Workbook for Business Incubators, NBIA Publications

According to Wolfe, Chuck, Adkins and Sherman³, the following are considerations in developing entry criteria:

- Incubators should accept a diverse range of clients to increase synergy and diminish direct market competition.
- In general applicants should be for-profit ventures. Exceptions may be arts incubators or those supporting only non-profit ventures. In such cases, the objective of the incubator may be to support business sustainability rather than growth. In some cases incubators accept service agencies as anchor tenants as these service agencies can help the incubator and incubatees to achieve their mission. These service agencies however are usually not included in the directory of incubated tenants.
- Applicants should be identified within the technologies/sectors or other clusters supported by the incubator. Many incubators are 'generalist' incubators meaning they accept companies from any sector of business. Some do not accept manufacturing businesses as they do not have the facilities or space to accommodate them. Other incubators are highly sector specific, requiring clients to be based for example in the biotech or ICT sector. Some are even more specialized for example, focusing on applicants from the ICT sector and even specifically from the digital gaming sector. This level of specialization is more commonly found in developed regions or areas with a very prominent industry sector.

Applicants should be early-stage, generally within the first two years of business operations, not yet profitable and still growing. Exceptions may be made for small firms that are changing focus, in a "turn-around" mode, substantially restructuring or launching a new business project. Some incubators require companies to have 'proof-of-concept' before accepting them into an incubation program. Other incubators, in particular those who offer virtual services, are happy to work with entrepreneurs at concept stage of development and work with them through the pre-feasibility stage of development. Where the sustainability model of the incubator depends on royalties from its incubatees, slightly later stage companies may be accepted where the focus will be on assisting them expand and grow.

- Applicants who can exploit access to an affiliated institution, such as a university, federal laboratory or other strategic partner, should be able to comply with the requirements of the partner institution in order to use their resources.
- They should have the ability to pay rents and fees charged by the incubator while developing positive cash flow.

³ Source: Wolfe C., Adkins D. and Sherman H. (2001) - Best Practices in Action – Guidelines for Implementing First-Class Business Incubation Programs, NBIA Publications

- They should have a management team that is capable of handling technical and operational aspects of the business, or they should understand the need for, and be willing to obtain technical assistance if required.
- Applicants should be able to benefit from the opportunities provided by the incubator and its resource network.
- They should provide economic benefits in the form of job and wealth creation or otherwise develop a product or service that will benefit the region and/or sponsor.
- They should not be in direct competition with an existing client or, if they are, management should take care to ensure that any intellectual property risks or other conflicts are mitigated.
- Innovative potential: Some incubators, for example the Business Innovation Centers (BIC) networked through EBN in Europe, focus strongly on the innovation potential of companies. Innovation is not defined only in terms of the product, but also for example in terms of the service-offering, route to market and pricing model. However, what is important is not to support 'me-too' companies in an already developed marketplace.
- Local/international focus: Some incubators closely assess the international focus of companies. This is particularly common in smaller countries or island nations. The ability to grow is linked to market size so companies only focusing on local or national markets will have lower growth potential than those focused internationally.
- Level of commitment: It is important to understand why a company wants to locate in your incubator. What are their motivations: Price? Reputation? Access to other companies? Companies entering the incubator must be committed primarily to following the incubator program and growing their business.

It is advisable that entry criteria take into account:

1. The founder(s) of the company (or potential company) in terms of their level of commitment, their entrepreneurial profile and capability;
2. The management team and the complementarities demonstrated within this team (i.e. gathering relevant and complementary backgrounds, expertise and experience);
3. The market opportunity, demonstrated through a thorough knowledge and understanding of the market, notably the competitors;
4. The potential financial viability, notably through the business model adopted and the potential to develop a product portfolio;
5. The investment potential if investment is required including, for example, the potential to generate foreign revenues;
6. The social capability or the ability to build social capital, such as a business network;
7. The industry sector, if the incubator focuses in specific sectors; and
8. The innovativeness of the product/service when incubating technology-based ventures.

The entry criteria must align with the type and objectives of the incubator. Examples of entry criteria used for technology incubators are detailed on the following page:

Technology based incubators often use the following entry criteria:

- A business opportunity for growth;
- A quality management team, or the willingness to build one;
- A viable market opportunity;
- An opportunity for which finance can be sought, or adequate financing is already in place;
- Intellectual property protection strategies for firms commercializing technology;
- Need for incubator assistance;
- Legal compliance - businesses must comply with relevant legislation;
- Openness to give up equity or to enter into a royalty agreement if this is a part of the business model;
- Internal compatibility – no competition with existing incubator tenants; and
- No detrimental environmental or social impact.



ENTRY CRITERIA

A company is deemed to be suitable if it fulfils the following entry criteria:

- It is a technology-based or knowledge-based business.
- It works within or in support of our target sector (IT, digital, software, Internet, creative).
- It has some protectable knowledge or IP – Uniqueness. We also accept a limited number of service providers who we believe will contribute to the overall incubator community.
- It will be trading or aim to start trading within six months.
- It understands the ethos and workings of the incubator its community and common purposes.

Table 1 - Example of Entry Criteria for a Technology Business Incubator⁴

Another good example of entry criteria are those used by the CREEDA Business Centers in Australia. The CREEDA Business Centers provide accommodation, business support and development services for people in the process of establishing or starting businesses and who meet a clear set of criteria. Table 2 provides the policies and relevant criteria used by CREEDA Business Centers.

| CLIENT ENTRY POLICY | CRITERIA |
|-------------------------------------|---|
| 1. DEMONSTRATION OF POSITION | Applicants must demonstrate they are one of the following: <ul style="list-style-type: none"> • A new business; • In the process of establishing a business; • Undertaking pre-business research or development, or testing an idea; • A business moving from home; or • Re-establishing an existing business. |
| 2. VIABILITY | Applicants must demonstrate the potential for financial viability of the proposed or existing business within a reasonable time frame, for example less than 5 years. |
| 3. NEED FOR ASSISTANCE | Applicants must demonstrate they need our assistance. This may be a shortage of skills, capital, or to reduce the risk. |
| 4. PRIORITIES | Preference will be given to businesses that show one or more of the following: <ul style="list-style-type: none"> • Have high employment potential; • Have high growth potential; • Export products or services; • Replace imported products or services; • Provide new products/services, or existing products/ services in a novel manner; • Satisfy un-met needs in the community; • Introduce new skills to the ACT; and/or • Provide opportunities for people disadvantaged in the labor market. |
| 5. INDEPENDENCE | Businesses must be independently controlled. Branch offices of existing businesses will, as a rule, be excluded. |
| 6. INTERNAL COMPATIBILITY | Businesses in the Centers should not directly and adversely compete. Opportunities for inter-trading, joint marketing and development of synergies are to be encouraged. |

⁴ Source: <http://www.shefftechparks.com/home/supporting-your-business/entry-criteria.aspx>

| CLIENT ENTRY POLICY | CRITERIA |
|-------------------------------------|--|
| 7. LEGAL COMPLIANCE | Businesses must comply with relevant legislation, especially in relation to noise and waste. |
| 8. RETAILING | Retailing on site is not permitted, unless the products or services are manufactured or are value-added on site. |
| 9. IMPACT ON EXISTING BUSINESSES | Any business considered likely to put out of business another ACT business will not be eligible. |
| 10. ENVIRONMENTAL AND SOCIAL IMPACT | Businesses that engage in activities that are socially undesirable or detrimental to the environment are not eligible. |
| 11. APPLICANTS | Applicants may be those who are working from home, or who have not commenced their business, or they may be an existing business experiencing difficulty that can benefit from our services or who may want to test out an idea. |
| 12. DECISION MAKING | Decisions regarding admission and any particular conditions will be made by the Business Advice and Review Panel (BARP) associated with the Centers. Where this Panel considers it necessary, decisions can be referred to the Board Members of the Centers. |

Table 2 - CREEDA Client Entry Policy⁵

⁵ Source : www.creeda.com.au



Note: Although many incubators are under pressure to ensure a high level of occupancy of incubation space, this pressure should never result in concessions with regard to the incubator's fundamental objectives that are, and should remain, the stimulation and facilitation of the creation of enterprises and the support of innovative activities. In order to avoid succumbing to the pressure to fill space and to ensure that the entry criteria are upheld, incubators should not be expected to face the same financial targets as private sector property management companies.

Section 1.1.2: Selection Panel/Committee

It is important to decide who makes the decisions on whether or not companies satisfy the minimum standards required. Decisions may be taken by incubator managers in some cases or, more commonly, by a selection committee made up of a cross-section of experts who can assess all aspects of the potential business, from entrepreneurial traits to the business growth potential.

As one might expect, some of the best people to judge entrepreneurship are other entrepreneurs, especially those interested in the psychological characteristics of successful entrepreneurs. Hence entrepreneurs should also be involved on the selection panel. People who do not have the right skills, or those who believe that anyone can "have what it takes" to be a successful entrepreneur, are typically not a good choice to have on a selection committee.

To develop a selection panel, a number of options are available, depending on the size of the incubator, the number of staff, the management skills, the governance systems, and local culture and politics.

Some pointers to bear in mind:

- Members of the selection panel should have demonstrated that they have an entrepreneurial mindset;
- Members may be sourced from the Board of Directors and the know-how network of the incubator, such as investors, coaches, and mentors;
- Members should represent the diverse expertise required, such as business management experience and capabilities (including financial, HR resources, marketing and stakeholder management), and relevant technical expertise when required; and
- Members should act in advisory capacity to the incubator manager and Board.

Experience has proved that the best selection panels comprise of about 3 people, ideally entrepreneurs or persons with entrepreneurial experience. Too many people make it too cumbersome when it comes to making decisions. Often the members of the selection panel will be drawn from the Board of Directors of the incubator, assuming there are entrepreneurs on the Board⁶, or from the know-how network of the incubator⁷, whose main role it is to assist clients as mentors and advisors. They need to have an interest in the incubator's work and understand the reality of starting and growing a business, for which there is no magic formula or rule book. Entrepreneurs are often the best people to judge other entrepreneurs and the potential of the proposal.

Academics, corporate managers or politicians are all too often involved for the wrong reasons that may include local political issues, a wish to involve local stakeholders, whilst not selecting competent individuals. Also, all too often technologists predominate, sometimes unaware of the commercial potential of a project for which technology is not the most important criteria. Panels need the flexibility to pull in specialists as required depending on the profile of the applicant.

The incubator manager should also sit on the selection panel. It is likely that the incubator manager has already met the applicant(s) or has received feedback from other members on the incubator management team and can provide additional insights. Furthermore it is important for the incubator manager to be part of the discussion and agree with the reasons for the acceptance/non-acceptance of the applicant.

Ideally the board will be responsible for the entry policy, but should not be required to approve applications. The reality can be different, however, because of local political issues and incubator management policy. Board approvals may slow the process down, or even disempower the selection panel and may add unnecessary lengthy and heavy bureaucratic procedures. In some cases, incubator management may take the final decision on applicants, if the management team has the necessary skills to do so and so long as there is more than one person making the decision.

Ideally however, the incubator manager should implement the decisions of the selection panel and report to the Board accordingly.

⁶ Note: The composition and role of the Board of Directors are reviewed in the following component of the current module.

⁷ Note: For a detailed presentation of the incubators' know-how network, Modules 4 "Marketing and Stakeholder Management" and 8 "Implementing a Mentoring Program" from the current Training Program, provide particularly helpful information.

Section 1.1.3: How to Best Assess the Business Idea

Prospective applicants might learn about an incubation program through a brochure, website, awareness event, presentation, networking event, informal interview and/or an incubator tour. If interested, they can take the next step of submitting a formal application or business plan. Applicants who meet the incubator's entry criteria might then be invited for a formal interview with the manager or the selection committee. As previously discussed the type of business of the applicant should determine who participates on a given selection committee. For example, a biotech company applicant might meet with a committee that includes a biotech researcher, an intellectual property expert and a private investor to help determine funding requirements.

In determining the potential of a business, the business idea, its market, the finances, the entrepreneur and their team need to be assessed.

Common factors and questions usually raised by the selection committee include:

- What problem does the product/service solve?
- How is this problem currently being solved?
- Why would customers buy your solution rather than the current solution?
- What benefits does it offer the customer?
- What are its revenue streams?
- Does it have the potential to generate foreign revenue?

In addition to the 7 P's⁸, when assessing the market, the following questions should be addressed:

- Who will the customer be for this product/service? (Break down their demographics into: gender, age, geographic region, income group, and so on). Name the first 5 individuals who will buy the product.
- What is the size of the potential market?
- How will the product be packaged?
- Where will it be distributed? How will the product be distributed?
- Who will be responsible for marketing and sales, and maintenance where relevant?

When looking at the financial data, the following questions should be answered:

- How much funding is required to break-even?
- How long will it take to break-even?
- Where will the funding come from until break-even is achieved?

It is largely agreed that the management team is the most important asset of the business, so the following questions explore the capability of the team:

- What skills are required to produce the product /service?
- What skills and experience are required to run the business, such as marketing, financial, operational, leadership, and so on?
- Do these skills currently exist within the team? If not, where will they be sourced from and how will they be paid for?

⁸ Module 4 of the current Training Program on “Marketing and Stakeholder Management” explores in detail the 7 P’s of the marketing mix, i.e. people, price, product, place, promotion, process and physical evidence.

When selecting the businesses to incubate, both the indicators of the entrepreneurial potential of the entrepreneur **and** the growth potential of the venture should be assessed. Both factors need to be taken into consideration by the selection committee and simply assessing a business plan on its own merit is inadequate.

Section 1.1.4: How to Best Assess the Entrepreneurial Potential of the Entrepreneur

What are the common factors to examine with regard to entrepreneurial skills? What are the most promising signs or the red flags to watch out for? In reality, incubator managers and selection panels most often use their 'gut' feeling to make these judgments. As previously stated, the best people to judge entrepreneurship are other entrepreneurs.

A few incubators use psychological assessments of entrepreneurial traits to ensure they are selecting the right tenants. Part of the assessment involves measuring the entrepreneurs' internal locus of control. Entrepreneurs have a high internal locus of control, for example accepting responsibility for their own actions. However, if their internal locus of control is too high, they are often not coachable. If it is too low, it normally means that they are not entrepreneurial enough. Saville Consulting Wave⁹ from the UK carries out well reviewed entrepreneurship assessments, but at a cost of approximately USD 1,000 each. RaizCorp¹⁰ in South Africa is one of the few incubators that use formal psychological tools to measure entrepreneurship.

The danger of using psychological tools is that individual can be judged inappropriately or incorrectly. They are not tools to be used lightly. CREEDA projects developed a simple self-assessment system that was used for many years with Aboriginal people as a part of business loan application systems in Australia and was adapted for use in the Caribbean. This system, essentially a booklet to be filled in by the potential entrepreneur, gets people to assess their own aptitude for business and then the feasibility of their idea. This approach is designed for a business counselor to use with the client.

The booklet has 5 Chapters:

- Chapter 1 is a short introduction.
- Chapter 2 asks the potential entrepreneur questions to help them work out if they are the kind of person who could run a successful small business. This chapter will help the potential entrepreneur to work out the kind of help they might need in getting ready to go into business. As it is particularly relevant to the discussion on how to assess the potential of an entrepreneur, Chapter 2 is reproduced as Annex 1 of the current module in order to give an overview of the type of questions which could be asked to assess entrepreneurial potential.

⁹ Source : www.savilleconsulting.com/products/wave_reportsent.aspx

¹⁰ Source : <http://raizcorp.co.za>

- Chapter 3 gives the potential entrepreneur a quick and easy way of checking if the idea could really work as a business and provide them with a wage.
- Chapter 4 helps the potential entrepreneur write a simple business plan and a simple financial plan that will be needed if the potential entrepreneur wants to borrow money for their business.
- Chapter 5 helps the potential entrepreneur decide what sort of help they need to get their business going and shows them where they can go to get that help.¹¹

Section 1.1.5: How to Best Assess the Growth Potential of the Business Idea

Assessing the potential market success of a business idea or research project is not usually considered as an exact science, but there are tools and systems to address this.

IDEAS (the Innovation Development Early Assessment System), for instance, has been developed and is delivered by Associate Professor Jack English from the Australian Innovation Research Centre.¹² The system is very similar to many entry systems, but focuses on the commercial feasibility of the idea. It is recognized as a more sophisticated system with a red, green or yellow light coming up at the end of the evaluation of the idea's potential as to whether it is commercially feasible or not. It has proved to work very well both as a self-assessment workshop and as an entry system. There is a comprehensive manual that comes with the package. IDEAS is promoted as a low-cost, comprehensive and systematic analysis that provides a uniform, easily communicated and understood basis for assessment. The delivery mechanism is usually via a one day workshop offered by business support organizations or government funded initiatives. Further information can be obtained through the following website: www.airc.net.au/bloggers.php?Doo=ContentView&id=459.

A good example of a business incubator's application form is the one developed by BADIR,¹³ attached as Annex 2 of the current module, which includes questions that when addressed will deliver a preliminary business plan. However, it should be noted that the questions are only as good as judgments made about the answers.

Despite IDEAS and other similar systems, risk and unpredictability will always exist and it should be acknowledged that analysis of the applicant's responses matter as much as the questions asked. Good incubators will often have preliminary screening and work with potential applicants to help them to complete the application forms. Business plans are helpful, but not essential, and they are relevant only if the entrepreneurs have completed them themselves. Through the process of asking questions and analyzing the answers, the applicant's real needs will be clarified. Then it is primarily a question of determining whether the program is capable of meeting those needs.

¹¹ Source : www.creeda.com.au

¹² Source: <http://www.airc.net.au/bloggers.php?Doo=ContentView&id=459>

¹³ Source : <http://www.badirict.com.sa/English/Default.aspx>

Section 1.1.6: Managing Expectations

No selection process would be complete without a thorough discussion of expectations. For example, the incubator manager will expect timely payment of rent, royalties and service fees, and participation in incubator activities, while an applicant might expect a certain type of space or assistance with market research.

A discussion of expectations should include a review of any contracts clients are required to sign, such as leases and equity agreements. This is also the time to explain graduation criteria and possible reasons for a client's termination from the program. Be sure applicants are aware of all required benchmarks and the timeframe in which they have to meet them. Finally, it is worth remembering that all too often risk and unpredictability are not taken into consideration or understood, although they are critical factors in the success of any business. The best a panel can do is to make a judgment in a specific context with the information available to them at that time.

Experience has shown that many incubator managers who had identified companies with high potential turned out to be disappointed with their actual results whereas others that they thought would be less successful turned out to be performing well. So all things considered, judgments cannot be too prescriptive and an open mind is required when assessing new applicants.

Section 1.1.7: The Role of the Selection Process in Ensuring the Incubator's Stability

infoDev carried out a Monitoring, Evaluation, Assessment and Impact (MEIA) Study of the grants awarded to business incubators in developing countries. The study establishes the importance of the selection process as one of the parameters to ensure an incubator's sustainability.

*The study concluded that an "area where grantees manage their risk and enhance their sustainability is through improvements to their client selection processes. The business models of most operational grantees require a critical mass of clients who have competitive potential. Many look at a range of criteria including the prospective client's business model, the type of product or service the prospective client intends to develop, and the entrepreneur and his or her team. Several grantees report that prospective clients go through a 'pre-incubation' phase to solidify planning and others indicate that their prospective clients undergo psychological testing. The activities that grantees engage in with respect to networks also contribute to their sustainability in the sense that they are able to establish their credibility, demonstrate their impact and influence their broader environment."*¹⁴

Figure 2 provides an overview of the selection processes and entry criteria used by *infoDev* grantees.

¹⁴ Source : *infoDev* - Summary of Assessment Observations - http://www.idisc.net/en/Page.MEIA.Study.Summary.html#_Business

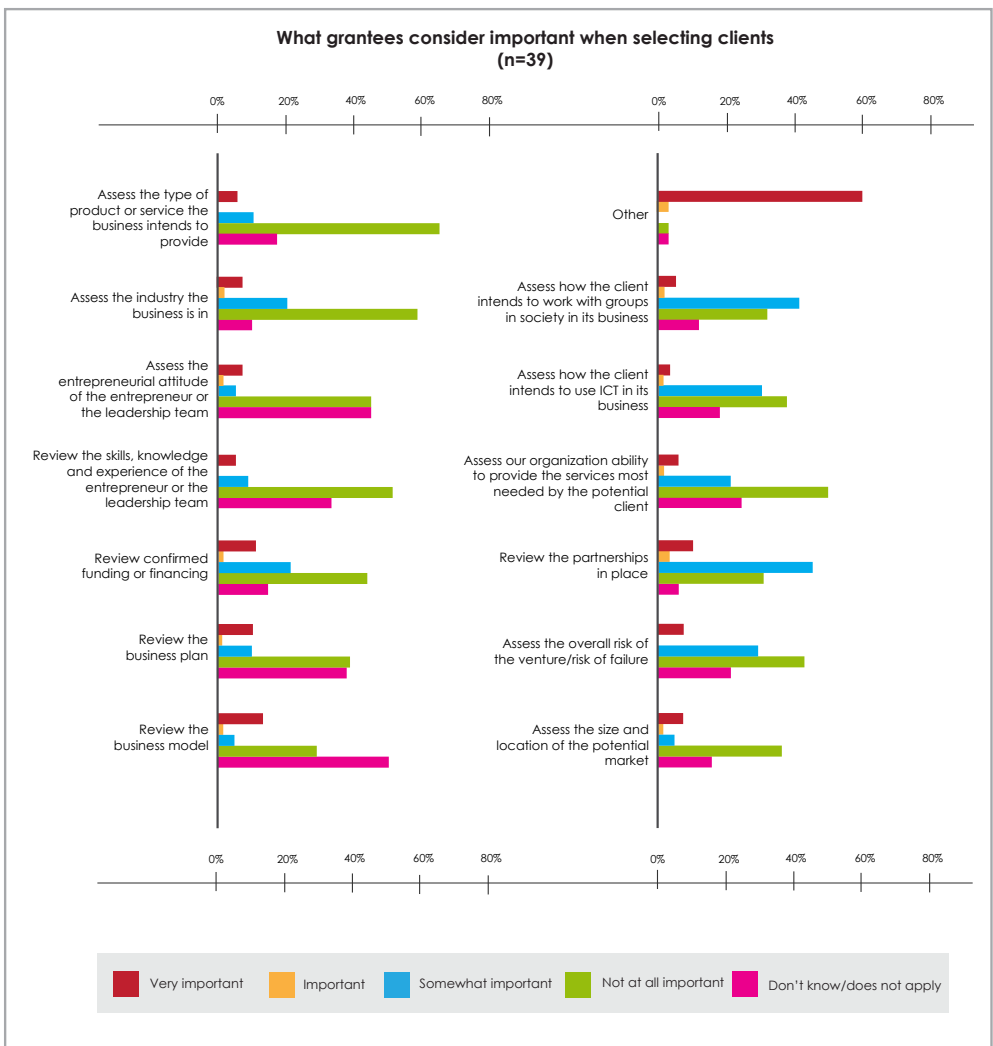


Figure 2 - infoDev Grantee Selection Processes

Section 1.2: Incubator Programs: Incubator Contracts

Section 1.2.1: Incubation Agreements

Once a business meets the entry criteria of an incubator and is accepted as a tenant, formal incubation agreements must be signed between the incubator and its client. An example of such an incubator-client contract is shown in Annex 3 (i).

These agreements will typically state:

- The space and facilities to be provided and procedures for modification;
- The agreed pricing policies for space and services such as IT and common services;
- The agreed set of supporting services that will be provided such as mentoring and training;
- Payment modalities;
- Duration of the contract including options for early exit, or extension, subject to the terms of the overall graduation policy;
- Procedures for setting development objectives and targets, and monitoring progress towards these objectives; and
- Exit policy if progress milestones are not met or non-compliance with other contractual obligations.

It should be noted that an incubation agreement is more about the use of services, support and reporting obligations between the incubator and the incubatee than about renting office space. Although both elements might be merged into one single agreement, this is generally not advisable since having separate agreements may be more advantageous in the case for example of eviction for non-payment of rent. In many cases, two agreements are used; one for use of space and the other for use of 'soft' and 'hard' support services.

For renting space, in many legal systems based on British law, a license agreement to use space is more flexible and appropriate than a leasing agreement, which often comes with tenant rights. Leasing agreements or leases are usually for exclusive possession – a lease would most often be the norm if the tenant were taking an entire self-contained premises, whether it is part of a building or the whole building. However office blocks or incubators usually provide space within a building i.e. part of a floor that is not self-contained and often including some shared space – this is usually by means of a license agreement.



Note: Legal agreements are usually only resorted to in situations where cooperation has broken down -typically only on rare occasions. It is preferable to let the incubation program operate more informally and on the basis of mutual respect. In the end, local culture and law influence significantly what is included or excluded from agreements, making it very complex to define one single model of incubation agreement. When legal agreements have to be implemented in cultures where trust is an issue, as emphasized in Module 7 “Monitoring, Evaluation and Benchmarking” from the Training Program, the practice of gathering data needs to address trust and confidentiality, irrespective of what is in the legal agreement. For instance, there is no point in a business having two sets of books, which is often the case, one for the ‘tax man’ and one for the entrepreneur. If the incubator sees the ‘tax man’ books then the incubator cannot really help. The business development program is critical, based on trust and understanding between the manager, advisors and the client. The intricacies of this do not need to be in the legal agreement. In the end, if the client does not trust the manger then the potential for assistance is limited, irrespective of what is in the legal agreement.

Another practical difference between leases and licenses is that licenses are valid for a relatively short period of time - up to two years, whereas leases usually run for many years, sometimes up to 25.

Where leasing agreements are used, it is frequent to see such agreements include a component governing the performance of the incubatee, for example stipulating that the incubatee will be required to meet certain agreed-upon milestones in the absence of which the lease agreement will be terminated and the incubatee will be asked to leave the program. All too often tenants sign long-term agreements of 1 or more years rather than month to month agreements, which facilitate a more ‘easy in easy out’ policy for both parties.

Legal agreements need to specify client reporting obligations. As a minimum this should include annual reporting of employee numbers, annual turnover, investment for a specific number of years (ideally for 5 years after graduation from the incubation program¹⁵), and sometimes this may include clauses about participation in the incubation program. Reporting obligations need to be non-bureaucratic and realistic, for example reports should be completed on an annual basis, and should not try to report the impossible, such as taxes paid or profits generated. Such data is often difficult to collect in many countries.

¹⁵ Note: Module 7 of the current Training Program is dedicated to “Monitoring, Evaluation and Benchmarking” and looks in detail at the importance of recording incubatees’ data at least up to 5 years after graduation in order to measure adequately the performance of both the businesses and the incubator.

Section 1.2.2: Incubator-Client Handbook

Following their acceptance into the incubator, an orientation program meeting and/or an Incubator Client Handbook is a useful way of informing new tenants about house policies. Table 3 presents a sample table of contents from a typical incubator-client handbook.

Firstly, the client is introduced to the mission and vision of the incubator, which helps to set a sense of common purpose between incubator manager and client. Practical orientation information is provided, such as the normal hours of business and how to access the building during non business hours. A full list of facilities and services is provided with details of how to access these services and pricing where relevant. Full details of house rules (see Annex 3 (ii)) are clearly stated including interactions with management and other tenants. Finally, details of important incubator policies such as retention and graduation criteria are clearly spelt out from the beginning of the contract.

In brief, the incubator-client handbook is an essential tool governing the relationship between both incubator and tenant from entry into the incubator to graduation.



| INCUBATOR-CLIENT HANDBOOK | |
|----------------------------------|---|
| TABLE OF CONTENTS | |
| INTRODUCTION | <ul style="list-style-type: none"> • Mission • History • Client Companies |
| GETTING STARTED | <ul style="list-style-type: none"> • Business Hours • Security and Building Access • Contact Numbers |
| FACILITIES & SERVICES | <ul style="list-style-type: none"> • Professional Services • Conference Rooms • Signage & Logos • Information Technology Services • Mail Room & Copier Services • Shipping & Receiving • Parking • Visitor Parking • Trash • Use of Testing Facilities & Research Equipment |

| INCUBATOR-CLIENT HANDBOOK |
|--|
| <p>POLICIES & RULES</p> <ul style="list-style-type: none"> • Retention in the Incubator • Graduation Criteria • Termination • Hazardous Materials • Lease Rules • Modification of Policies & Rules <p>APPENDIX A – IT SERVICES</p> |

Table 3 - Table of Contents Incubator-Client Handbook¹⁶

Section 1.2.3: Monitoring Company Development

Incubators are not real estate companies. The core mission of any incubator is to support company growth leading to the successful graduation of companies from the incubator environment in order to make way for new companies who can benefit from this unique support and enabling environment.

As part of the entry and selection process, careful attention should be paid to identifying clients who will truly benefit and grow through the support services provided in an incubator. Sometimes incubators define a formal 'incubator program' where all clients follow a set approach to developing their business using a tried and tested approach. In most cases, however, the 'incubator program' is customized to the needs of the tenants, which are assessed at the point of entry and matched with the relevant level of services and support available through the incubator and their extended network of mentors and experts. Identifying client needs is an ongoing process as their needs and the environment in which they operate changes on a daily basis.

As part of the agreement between the incubator and client companies, a series of review meetings should be agreed at which progress against key milestones is assessed.

¹⁶ Source: Table of Contents from University Technology Park at IIT: <http://www.universitytechnologypark.com/>

Target milestones may include for example:

- Completing or updating specific parts of the business plan;
- Recruiting new members to the management team in response to identified weaknesses;
- Securing IPR protection for a new product or service;
- Completing venture capital training;
- Securing early stage investment; and/or
- Signing strategic partnership agreements with key suppliers or clients.

At the beginning, such meetings might be required on a weekly basis evolving into monthly or even quarterly meetings as the management team mature and milestones require longer timeframes to implement.

It is common incubator policy to directly link a client's stay in an incubator with their commitment to an incubator program, which involves setting milestones, agreeing a path to achieve these milestones and monitoring progress towards achievement. As explored in great detail in Module 7 "Monitoring, Evaluation and Benchmarking", monitoring incubatees during the incubation process and up to at least 5 years after the graduation is of particular importance for the incubator. The incubator can use the client results to evaluate its own performance and use the results for different purposes including the continuous improvement of its services towards its clients or for marketing purposes, be it to attract clients or to secure the support of the local stakeholders, as detailed in Module 4 "Marketing and Stakeholder Management".

The 'exit' policies of an incubator should form part of the original incubation agreement and should specify that a client not following the incubator program constitutes sufficient grounds for expulsion. In most cases, however, incubators will be able to 'nudge' companies who are not following the agreed development trajectory in the right direction.

Section 1.3: Exit/Graduation Policies

Section 1.3.1: Differentiation between 'Graduation' and 'Exit'

'Graduation' and 'Exit' policies are terms that are used interchangeably by many incubators to describe the criteria for deciding when an incubatee is ready to 'fly the nest' or to leave the physical incubator building and set-up on their own.

In many countries, graduation has positive connotations and is associated with high performing companies who have achieved their potential through the incubation process. The incubator manager, in consultation with the company, usually takes the decision on when a company should graduate.

In some countries, for example the US, the term 'Exit' policy has connotations that are more negative and implies that a company was asked to leave the incubator. This situation arises not necessarily only when the company has failed to perform, but also for example in the case of a company whose business is booming and no longer requires support from the incubator, but who has grown too comfortable with the program's support system and does not wish to leave. Alternatively, it may be a business that is not meeting its milestones, or just as important, not making use of incubator services. Sometimes the CEO of the company is not open to learning and hence deriving benefit from the mentoring and business development services offered by the incubator. Situations such as these will result in honest discussions with the incubatee about alternatives outside the incubator.

Section 1.3.2: Key Considerations When Setting a Graduation Policy

Graduation is when a client company has matured to the point that they do not need incubator assistance and are ready to have their own facilities.

Both the entry policy and the graduation policy should be elaborated by the management of the incubator and should correspond to the incubator's mission. The main challenge here is related to the definition of when the company graduates. There is a lack of clear-cut and precise criteria for this purpose as it is dependence on the mission of the respective incubator.

The factors that define the duration of the stay within the incubator are usually determined by:

- Follow-up of the company's performance assessment system or progress against agreed milestones: once the agreed milestones have been achieved, if the incubator can no longer add any value to the development plans of the company, then graduation should be considered.
- Vision and understanding held by the incubator manager: sometimes incubator managers must face the harsh reality that a business is just not sustainable. In this case an exit option for the company should be applied.
- Perception held by the entrepreneur: sometimes the entrepreneur decides when it is time to go. They may have outgrown their premises or have found a better location closer to their market.
- Timeframe variables, which cover the company's incubation period - sometimes incubators have maximum incubation periods e.g. 3 years (typical for ICT start-up companies).

Successful graduation of a client from the incubation unit is, nonetheless, the objective for all incubators. Typically, incubatees graduate on average 3 to 5 years after entry. The European Business and Innovation Centre Network (EBN) monitors its members, more than 200 incubators based in the pan European region on a yearly basis. For the years 2007 and 2008, the average incubation time remained consistent at 3 years.

| INCUBATION ACTIVITIES | 2007 | 2008 |
|---|-------|-------|
| Average space available for incubation activities of owned incubators (square meters) | 2,945 | 3,159 |
| Average incubator space occupancy rate (%) | 83 | 78 |
| Average incubation time (years) | 3 | 3 |

Table 4 - Average Incubation Time within the EBN Network¹⁷

A company's size, turnover and space requirements could also be criteria for graduation. Some incubators are less prescriptive in defining a maximum incubation period, opting rather for other metrics (size, turnover, space) to determine graduation.

¹⁷ Source : EBN - The BIC Network in 2008, Facts and Figures - <http://quality.ebn.be>

Some incubators allow a longer period of stay beyond the average duration. This is often the case with incubators hosting biotechnology companies where it is recognized that the development time in this sector is much longer than other sectors and can be up to seven years. As an example, the Biotechnology Development Incubator in Florida¹⁸ has client companies that stay for an average of 3 to 6 years. On the other hand, software companies might follow an accelerated incubation program graduating in 2 years or less when the technology is brought to market. Another consideration is incubators who are interlinked with technology or research parks which allow graduated companies to set-up operations on site in the technology or research park. In this case graduated companies are more likely to retain close ties with the incubators, and therefore such incubators are more likely to have an early graduation policy. Early graduation, in this case, is less risky while simultaneously early graduation to a permanent location can influence the company to stay in the area. Allowing companies to stay longer than three years in a high-tech incubator within university or research park environments, for example, may be particularly important for the local economic community. Indeed, if there is a lack of appropriate facilities in the area to accommodate them post-graduation, graduate businesses may move to another area.

Even though there is no common agreement about graduation criteria, every incubator uses criteria that are related to the ability of the company to survive outside the incubator.

The most commonly used criteria are:

- An experienced management team;
- Financial stability, such as funding and/or turnover to operate for 6 to 12 months;
- Significant product sales and backlog of orders;
- No continuing need for incubator services; and/or
- Space requirements exceeding the incubator's capacity.

Many incubators while establishing a predetermined graduation period also recognize the importance of staying flexible about this criterion. Exit criteria should be customized on a company-by-company basis with concrete goals being set to ensure companies will survive and continue to grow once they leave. Exit criteria also help an incubator determine whether it can continue to provide value to a given company. The main concern is to have viable firms graduating from the program. A business incubator's main goal is to produce successful firms that will leave the program financially viable and freestanding. These companies have the potential to create jobs, commercialize new technologies and strengthen local and national economies.


¹⁸ Source: <http://www.biotech.ufl.org/>

Sometimes graduation policies can be influenced by the financial viability of the incubator itself. For an incubator to be successful, it is crucial that it attains a critical mass of clients. An incubator must have a minimum number of tenants, usually 20 to 30 as a minimum pre-requisite, (as explained in greater detail in Module 3 “Planning an Incubator”) to ensure sufficient revenue streams to undertake many of the activities that make the incubator environment unique and supportive: training sessions, proper management support, informal ‘animation’ events and intra-firm networking. It can cause cash-flow problems for the incubation program if several companies graduate at the same time.

So, who should decide when a company is ready to graduate? Should the incubator manager, who has been reviewing their progress, make this decision or should it be the responsibility of an independent committee? One option could be to use the selection committee and also propose that this committee is also “graduation committee”, as they are well placed to understand the quality of candidates on the waiting list as well as the situation of each company on the graduation list. Another option is for the incubator manager, in consultation with the relevant mentor(s) to make this decision.

Section 1.3.3: The Value of Graduation Functions

Incubators should take into account the benefit of organizing a ‘graduation’ ceremony or function on an annual basis. For incubators it is a great way to highlight the incubator and its successful graduated companies. For incubatees it is also a great showcase of their achievements and a way of “closing a chapter” for them.



Note: A common problem among incubators is that incubatees get too comfortable and do not want to move out of the incubator premises. There are different solutions to dealing with this issue. One method may be to have increasing rates for the office space and utilities as the revenue of the incubatee increases, so that the incubatee pays market rates or above market rates for renting the office space when it starts generating enough income. Graduation may also create another problem - the need for post-incubation space for graduates nearby, so that these can continue to benefit from the environment offered by the incubator, but not occupy the space suited to incubate early-stage companies. These solutions are illustrated in Case Study 2 of the current module, dedicated to the Slovenian based Inkubator doo Sezana.

Example: Graduates of the Ghana Multimedia Incubator Centre (GMIC) in 2007¹⁹



Section 1.3.4: Summary of Graduation or Exit Criteria

The 2002 NBIA “State of the Incubation Industry” study shows as the percentage of incubators employing different exit criteria, the variety of exit criteria that can be used.

| EXIT CRITERIA | 2002 NBIA (%) |
|--|---------------|
| Company has outgrown space available at the incubator | 77 |
| Client has spent the maximum time allowed in the incubator | 68 |
| Client company has achieved agreed-upon milestones | 63 |
| Client has failed to meet certain benchmarks or milestones | 54 |
| Business assistance needs of client are beyond what incubator can provide | 50 |
| Client company has an experienced independent management team | 39 |
| Client company has had a liquidity event or attracted additional financing | 59 |
| Other | n/a |

Table 5 - Graduation or Exit Criteria²⁰

¹⁹ Source: <http://gmic.gov.gh/>

²⁰ Source: <http://www.nbia.org>

Section 1.3.5: Post-graduation Follow-up

Monitoring long-term incubator performance

Effective monitoring of graduate firms improves the accuracy of monitoring data on incubator performance. It is common for incubators to lose track of their incubatees once they have left the facilities. This is a considerable loss for both incubator and client.

Typically, graduate companies are monitored for at least one year post-graduation, which enables the incubator to assess the longer-term impacts of its activities in terms of new job creation, multiplier and other indirect effects.

All incubators should consider conducting an annual survey of graduated clients to assess possible opportunities for future cooperation, such as mentoring, support of spin-off businesses, and entrepreneurship training and more importantly to evaluate the performance of its tenants over the course of the year. Positive feedback from these client surveys will go a long way towards satisfying investors in the incubator.

Post-graduation programs

In some cases, incubators agree to a program of ongoing after care with incubation graduates typically up to one year after graduation. This can take the form of a gradual phasing out of support for companies who may for example have followed an accelerated graduation program. It could also include providing them with business development support services associated with companies in the growth, rather than start-up phase.

COMPONENT CONCLUSIONS

The incubator's policies should guide the incubator management as to which applicants qualify to join the incubator program (entry criteria), what selection process should be used to assess applicants, what milestones should be used to ensure that the incubatee develops and grows its business, and at what stage should the incubatee exit or graduate from the program.

Incubator policies must be designed in compliance with the incubator's overall goals.

Component 2 (Part 1 Training):

Governance

COMPONENT INDEX

Section 2.1: The Board of Directors

Section 2.1.1: The Role of the Board of Directors

Section 2.1.2: The Composition of the Board of Directors

Section 2.2: The Incubator Manager

Section 2.2.1: The Role of the Incubator Manager

Section 2.2.2: The Profile of a Good Incubator Manager

Section 2.2.3: Recruiting the Appropriate Business Incubator Manager

Section 2.2.4: Ensuring the Relevance of the Incubator Manager

Section 2.3: Governance Issues

Section 2.3.1: Common Challenges of Public Body Incubators

Section 2.3.2: The Board-Manager Relationship

COMPONENT OBJECTIVES

At the end of this component, trainees should be able to:

- Identify key issues with respect to effective governance of the business incubator;
- Determine what governance policies and procedures would best suit the objectives of the business incubator;
- Understand how best to select the members of the Board of Directors and the incubator manager; and
- Develop a clear definition of roles and responsibilities between the Board of Directors and the incubator manager.

Section 2.1: The Board of Directors

Private and public-private incubator structures report to a Board of Directors, which provides strategic guidance on the development and management of the incubator.

Section 2.1.1: The Role of the Board of Directors

The Board's key purpose is to ensure the incubator's sustainability by collectively directing the incubator's affairs, whilst meeting the appropriate interests of its shareholders and stakeholders.

It is important that there is synergy between the Board and the management of the incubator in terms of their objectives for the incubator's development and critical that there is no conflict of interest.

The key functions of a Board of Directors can be summarized as follows:

1. Establish the vision, mission and values of the incubator:

- Determine the incubator's vision and mission, and set the pace for its current operations and future development.
- Determine the values to be promoted throughout the incubator.
- Determine and review the incubator's goals.

2. Set strategy and structure:

- Review and evaluate present and future opportunities, threats and risks in the external environment and current and future strengths, weaknesses and risks relating to the incubator.
- Determine strategic options, select those to be pursued and decide the means to implement and support them.
- Determine the business strategies and plans that underpin the corporate strategy.
- Ensure that the incubator's organizational structure and capability are appropriate for implementing the chosen strategies.

3. Delegate to management:

- Delegate authority to management, and monitor and evaluate the implementation of policies, strategies and business plans.
- Determine monitoring criteria to be used by the Board.
- Ensure that internal controls are effective.
- Communicate with senior management.

4. Exercise accountability to shareholders and be responsible to relevant stakeholders:

- Ensure that communications to and from shareholders and relevant stakeholders are effective.
- Understand and take into account the interests of shareholders and relevant stakeholders.
- Monitor relations with shareholders and relevant stakeholders by gathering and evaluating appropriate information.
- Promote the good will and support of shareholders and relevant stakeholders.

5. Contribute to the incubator's financial management:

- Involved from a fiduciary perspective.
- May guide the incubator's fundraising strategy.

The MEIA Study carried out by *infoDev* summarizes the role of its grantees' Boards of Directors. *"Across the initiative, the Board platform was typically used to provide strategic advice to grantees, and less so for operational guidance, including fundraising"*, as represented by Figure 3.

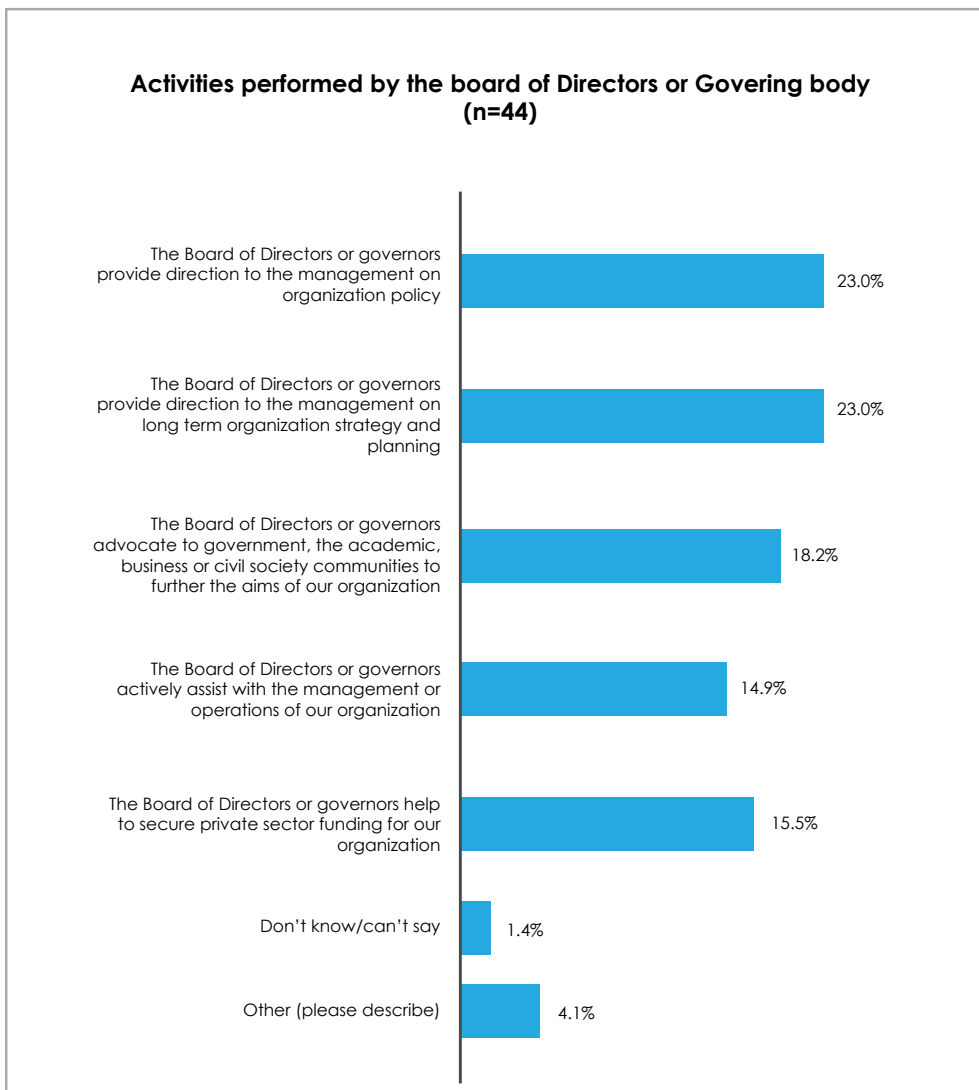


Figure 3 - The Board of Directors Involvement in the Incubator's Fundraising Strategy²¹

The members of the Board should meet regularly to discuss strategic and operational policies, to provide feedback to the incubator manager, make financial decisions, receive reports and share information. It is not uncommon for Board of Directors to meet on a minimum of twice per annum.

²¹ Source: *infoDev* - Summary of Assessment Observations - http://www.idisc.net/en/Page.MEIA.Study.Observations.html#_Business_Incubation_Develops

Section 2.1.2: The Composition of the Board of Directors

When appointing the Board's members, various factors should be considered:

- Instead of focusing on the ideal number of members, which loses relevance when compared to the size of the incubator, it is advisable to focus on the ideal representation of the incubator's stakeholders. For example, the members of the Board should represent each stakeholder involved in the incubator's network and contributing to the incubator's operations.
- The ability of Board members to provide business knowledge and networks to the incubator manager and clients is crucial.
- Board members should also possess the appropriate skills to cover incubation related topics, such as finance, law and marketing.
- Each Board member should demonstrate their willingness and ability to "roll up their sleeves" to assist the incubation manager and clients to achieve successful outcomes.
- A Board member should demonstrate their willingness to encourage and facilitate the location or expansion of suitable industry and commerce in the local economy.
- The Board's members should ideally prove their personal commitment to the incubator's overall objectives and a willingness to actively promote the objectives of the incubator in the community thus raising awareness and securing continuous support for the incubator's activities.

The MEIA Study further reports that a *“cross-section of stakeholders creates value for grantees in various ways, including formal guidance through membership on their boards of directors. (...) All sectors were fairly active on boards, with the exception of development agencies and private investors.”*



Note: By following the pointers above, the incubator manager may protect the organization against the emergence of a non-collaborative member of the Board, which would represent a significant threat to the efficient management of the incubator. To that end, it is highly advisable to instill a relationship of trust and respect between the incubator management and the Board members, as well as between the Board members themselves. This can often be done more efficiently on a one-to-one basis. Therefore, the incubator manager is advised to cultivate a privileged relationship with each Board member. The “Board Members’ Agreement” should include “escape clauses” such as to remove Board Members who regularly do not attend Board Meetings, and/or who may have a conflict of interest.

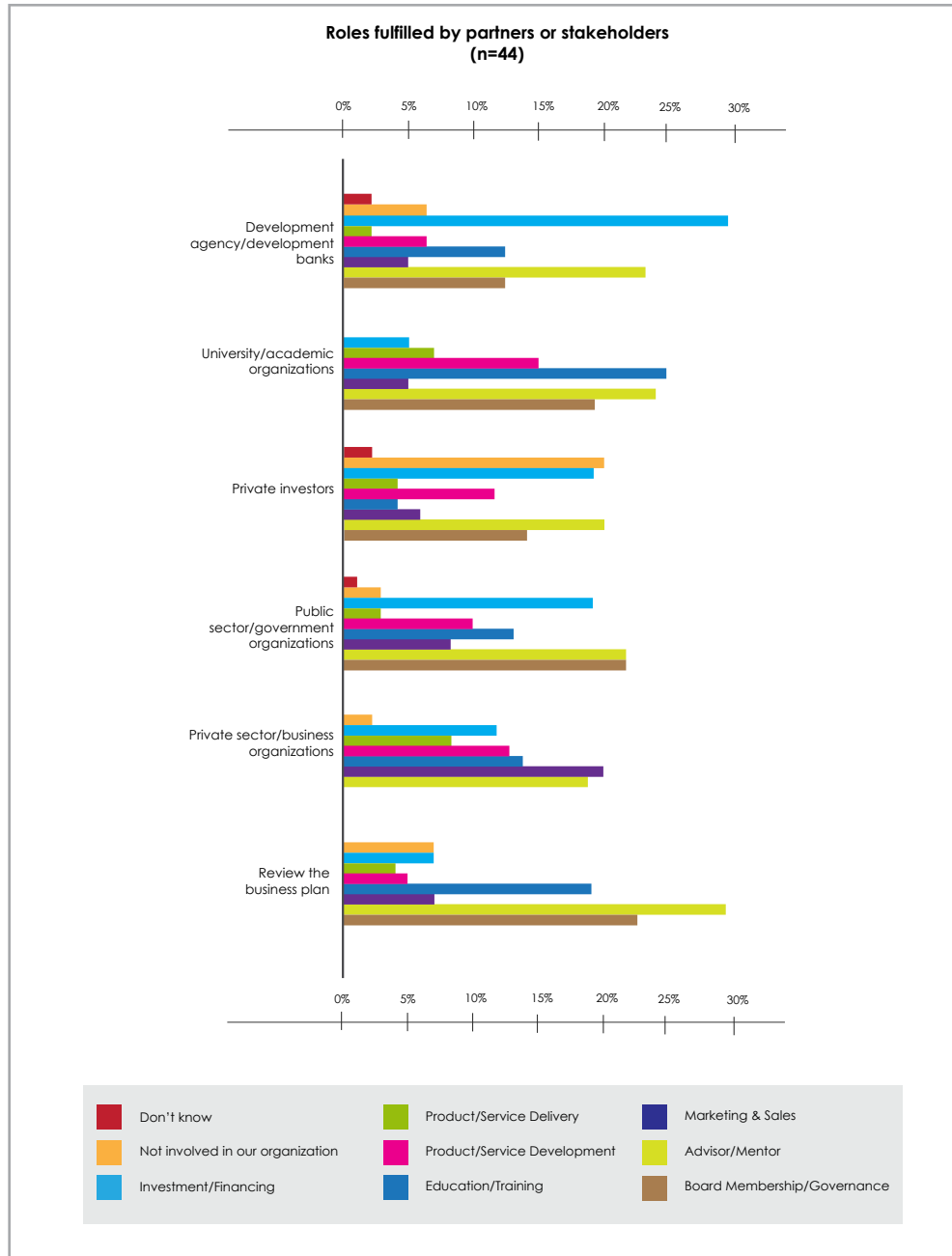


Figure 4 - Stakeholders' Representation Within the Incubator's Board²²

²² Ibid

Section 2.2: The Incubator Manager

Section 2.2.1: The Role of the Incubator Manager

The manager of the business incubation environment, who may also be called Incubator Director, President or Chief Executive Officer (CEO):

- Leads and manages the staff of the incubator;
- Manages the infrastructure and the services offered by the incubator;
- Is the “face” of the incubator in dealings with the Board of Directors and other external stakeholders, such as sponsors and public authorities, as well as the client companies;
- The principle liaison point between the incubator and the Board, and the incubator and the client companies; and
- Manages the relationship with the client. He/she ensures that mutual trust is built between the client and the business incubation environment so that the relationship between both parties is mutually beneficial.

Regardless of the size of the incubator management team and staff, the manager must ensure the focus is on clients first, a principle NBIA recognizes as best practice in incubation. According to Cammarata, a manager must prioritize staff time *“to place the greatest emphasis on client assistance, including proactive advising and guidance that results in company success and wealth creation.”* This is easier said than done. Mark P. Rice, Professor of Entrepreneurial Studies at Babson College in Wellesley, Massachusetts, has found that the single most critical factor in the effectiveness of an incubator manager’s efforts to help clients be successful is the amount of time spent working directly with client companies. However, all too often, duties ranging from fundraising, to facility maintenance, to marketing, to public speaking detract from a manager’s availability to work directly with clients. So how much time do management spend working with clients as opposed to time spent bogged down in administration, bureaucracy, board reporting and marketing? Experience shows that although 60% of management time spent with clients is a good benchmark, in reality, 20% of management time spent with clients is common. The smaller the incubator the more difficult it appears to be to spend time with clients as opposed to time on management duties.


For incubators renting space, being a landlord is part of the manager’s role. However, it should not be the most important aspect of their role, which should remain that of providing business support, as mentioned above. Balancing the landlord role with that of nurturing new start-ups and providing business support can be problematic for some managers. They perceive a conflict between ‘chasing rent’ as the landlord and developing an open, trusting and nurturing relationship as a critical part of their business support role. The ability to cope depends on the personality of the manager. Managers

with a high tolerance for playing different roles in their professional tasks can cope more easily with these two roles and do not really feel that there is much of a conflict, whereas other personality types sometimes find it challenging to cope with both roles.

Although in most cases, the manager has no choice but to take on both roles, in the situation where they are not particularly comfortable in doing so; a number of possible strategies can be used:

- Using other staff to take on the role of landlord, collecting rent, managing facilities etc.. This frees up the incubator manager to focus on providing the client with more important business support services. Typically the task of collecting rent can be easily completed by an administrator and therefore this is an effective strategy for combining potentially conflicting roles.
- Some incubators may contract out the collection of rent, but usually the incubator will be charged a percentage of the rent for this service.
- Other incubators establish very clear and transparent policies which cover what action will be taken if rent is not paid on time. With this strategy, the responsibility is on the tenant to pay the rent on time and not on the incubator staff to go 'chasing' the rent from the client. In this scenario all tenants are treated the same and would face the same penalties for late payment.

A combination of these options may provide the optimal solution. In particular if the business support side is working well and the manager is very aware of the financial capabilities of each tenant, the manager can become a more flexible landlord, taking into account the financial situation of each business when it comes to rental payments. Conversely the worst situation which could occur is that the manager acts first and foremost as a landlord at the expense of the business support role, leading to the all too common situation of the incubator becoming nothing more than a real estate operation.



Note: The nature of the manager's role will change over time, from the establishment phase, where managing building and refurbishment may be a significant proportion of the job, to the on-going operational phase, where the focus will be more on tenant support, networking and administration.

In the end, the strategy employed differs from incubator to incubator and usually depends on the personality and capabilities of the incubator manager.

As explored in great detail in Module 3 "Planning an Incubator", the management of incubator facilities should be foreseen from the planning stage of incubator development. The type of facility management services required by resident clients often include the ability to rent space flexibly, on

'easy-in, easy-out' terms, good access to amenities (24 hour access) and good security. In terms of charging for facilities and services, generally it is not cost effective to separately meter individual client space for electricity, unless they have a very high usage. This could be the case for manufacturing companies using 3 phase power or heavy computer users who require their servers to be kept in a specifically air-conditioned room.

For the most part though, it is more common and straightforward to include all expenses such as electricity, water and other utilities in with the rental charge. In this case, managers need to work out, on a case by case basis, charges which should be added per square foot/meter of incubation space. However it should be noted that in the worst case scenario that a client leaves the incubator without paying rent for a few months, the loss of income is actually higher because the incubator has also to cover the unpaid invoices related to the use of utilities. Another risk is that when energy consumption is included in the fixed rent, incubatees may pay less attention to their consumption of electricity for example, by using an additional heater or cooler.



Note: Practical advice regarding the design and use of space (e.g. how to “absorb” unused space such as corridors), the management of electricity and heating, the size and maintenance of client workspace is provided in more detail in Module 3 “Planning an Incubator” of the current Training Program.

Section 2.2.2: The Profile of a Good Incubator Manager

In order for the incubator manager to perform the roles and duties mentioned previously, it is recommended that they should possess the following attributes:

- A private sector orientation and the ability to manage the business incubator with an entrepreneurial mindset;
- Leadership abilities;
- Credibility, particularly with potential clients, investors, the Board and stakeholders;
- Relevant experience in business, innovation, and entrepreneurship with demonstrated ability to manage start-up ventures (including financial, legal, marketing management skills);
- Empathy with clients;
- Early stage investment knowledge;
- Excellent interpersonal and networking skills;
- Excellent business counseling and facilitation skills;

continued on following page

In order for the incubator manager to perform the roles and duties mentioned previously, it is recommended that they should possess the following attributes:

- A high tolerance for ambiguity and flexibility - there are many contradictory aspects to the manager's role that include business counselor, mentor, investor, landlord, and debt collector, as well as responsibility to the tenants in terms of helping them grow their business, the board in terms of managing the business incubator, and investors who have invested in the incubator and/or the incubatees;
- Above average commitment to the project and openness to working longer than average hours;
- Achievement and outcome driven;
- Confidence, passion and enthusiasm for the incubator's mission;
- Marketing and public relations skills and abilities;
- Knowledge and particularly relevant experience of the industries on which the business incubator focuses.

In addition to these characteristics, the EBN network has suggested that it is preferable for the manager to be already residing in the region, as integration into the local business world is a considerable advantage. They summarize the ideal candidate as an *"assertive and well-balanced personality. (S)He must have a winner's temperament, yet be diplomatic, be realistic and pragmatic, bent on achieving their objectives, and must demonstrate initiative and assume responsibility and take decisions"*.

With numerous skills required, which rarely exist in one person, UKBI makes the point that the core requirement is for an honest, transparent and passionate entrepreneurial facilitator.

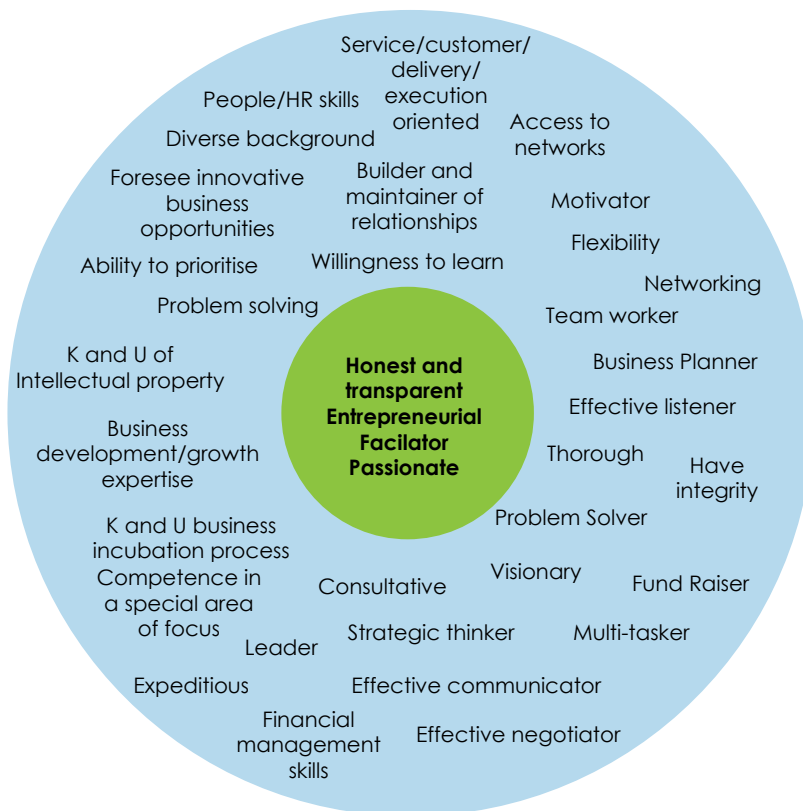


Figure 5 – Incubator Manager Core Requirements²³

According to the MEIA Study, the incubator manager is the critical component which differentiates incubators.²⁴

“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. (...) This report cannot do justice to all of the people who fit into this category. They include R.M.P Jawahar of TREC-STEP²⁵, who is described by stakeholders as a “true teacher” and has created an environment where clients feel a familial commitment to the organization and each other. Many TREC-STEP incubatees

²³ Source: <http://www.ukbi.co.uk>

²⁴ Source : *infoDev* – Implications - http://www.idisc.net/en/Page.MEIA.Study.Observations.html#_Business_Incubation_Develops

²⁵ Source : <http://www.trecstep.com/>

consider themselves to be “Jawahar’s children” and cite his mentorship as the primary explanation for their own success. Orlando Rincon of Parquesoft²⁶ and G. Viswa Nathan of VIT-BI²⁷ are also credited as the “inspirational, visionary” forces behind the creation of their organizations, an experience Rincon described as “the project of his life.” Like managers across the Program, these individuals are succeeding by leveraging a particular combination of experiences, skills and attitudes. When asked which attributes were most important in incubator staff members, grantees stressed experience starting and managing a business. The ITPF team in Nepal²⁸, for example, emphasized that the “manager is the key” and that a “business-oriented and entrepreneurial person is required.” Entrepreneurial experience on the management team was particularly valued in state and university-run organizations such as the NCB ICT Incubator Centre in Mauritius²⁹ whose cultures and operations are strongly influenced by public sector institutions. As one TREC-STEP client argued, “academics should not be managing an incubator... entrepreneurs are the right people.” Technical skills that both grantees and clients emphasized as critical were sales, marketing, business planning, proposal writing and finance, including the ability to work with outside investors. Financing skills were particularly valued in Morocco, Costa Rica and Kazakhstan. The ability to network effectively in the business, academic and government communities was also important to many clients as expressed by grantees such as the Tianjin team in China³⁰. However, the value of specific skills varied with the mission of the organization. In organizations with social impact missions, such as the Social Incubator at the Genesis Institute in Brazil³¹, experience with community change processes was emphasized, while organizations with more technical focus stressed the importance of technology skills, particularly in supporting existing clients and evaluating potential clients. A subset of attitudes also emerged as essential for incubator management. From Senegal to Iran to Sri Lanka, grantees and clients emphasized the value of managers being “empathetic, empowering, supportive,” and demonstrating “commitment, drive, focus and passion.”

These attitudes were reflected in the client-management philosophy of most grantees. More than 75% described themselves as “mentors or advisors” to their clients.

²⁶ Source : <http://www.parquesoft.com/>

²⁷ Source : <http://www.vittbi.com/>

²⁸ Source : <http://www.itpf.org.np/client/index.php>

²⁹ Source : <http://www.gov.mu/portal/sites/incubator/home.jsp>

³⁰ Source : <http://www.tjwbi.com/>

³¹ Source : <http://www.genesis.puc-rio.br>

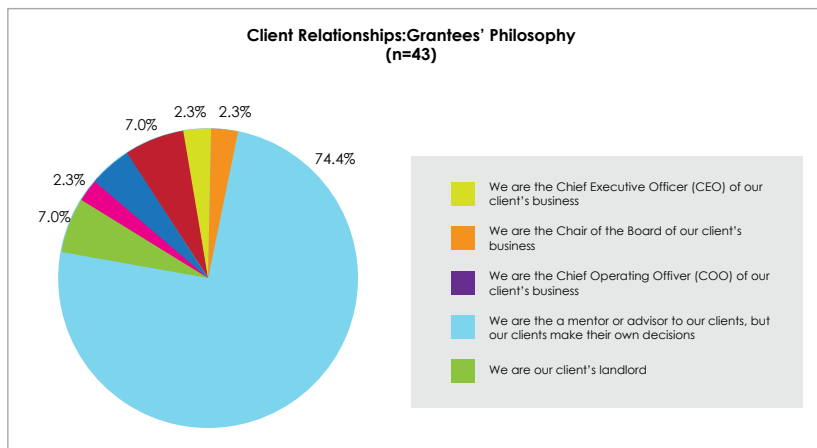


Figure 6 - Incubator Managers' Philosophy towards Their Clients

Section 2.2.3: Recruiting the Appropriate Business Incubator Manager

In order to recruit the appropriate business incubator manager, the most common procedure used is to publish Terms of Reference to which candidates should reply by the given deadline.

The Terms of Reference for an Incubator Manager position will state as a minimum:

- The context in which the incubator manager is expected to manage the organization. This may include a history and stakeholder overview of the incubator, its vision and mission;
- The objective and scope of the incubator manager position;
- The essential duties and responsibilities of the incubator manager;
- The required qualifications, knowledge and experience; and
- The employment conditions that include the type and duration of contract and salary indication.


An example of the Terms of Reference to recruit the incubator manager and deputy incubator manager of the business incubator set-up in Maputo, Mozambique, with an *infoDev* grant, is provided in Annexes 4 and 5 to illustrate the “must have” skills to look out for when hiring a business incubator manager.

Apart from the incubator manager, the management team of the incubator can contribute greatly to the success of the incubator. For information purposes, a sample job description for the following common managerial positions within a business incubator is provided in Annex 6:

- A Training Executive;
- A Technology Manager;
- A Financial Management Executive; and
- An Accommodation and Common Logistics Services Manager.

Once the deadline for applications is passed, the Board of Directors or a sub-committee comprising Board members, forming the Interview Panel, usually meets to review the applications received and shortlist the most relevant applications. The selected candidates are then called for interview usually with all Board Members or the Interview Panel.

On the basis of the results of the interview, the candidate who meets best the requirements stated in the Terms of Reference and with whom an agreement can be reached on working conditions is appointed as the incubator manager.



Note: On the question of the level of remuneration of incubator managers, Adkins, Dinah, Sherman and Yost NBIA research on rural incubation³² shows that incubator sponsors or developers that do not invest in qualified management actually get less return from their investment than those that hire top-notch managers. They end up providing greater subsidies without getting the return on investment. Therefore, NBIA concludes that investing up front in hiring the right manager will result in greater return on investment from successful graduate companies, and in the long run, sponsors can get that return on investment on a lesser subsidy.

Section 2.2.4: Ensuring the Relevance of the Incubator Manager

Given the unique public-private sector environment in which most incubators operate, a person providing advisory services within an incubator can, over time, lose contact with the realities of day-to-day management. This can impair the quality of the advice offered.

³² Source: Adkins, Dinah, Hugh Sherman and Christine A. Yost (2001) - Incubating in Rural Areas, Challenges and Keys to Success, NBIA Publications

EBN, in their Vademecum, rather controversially suggests that “A return to operational duties in business would appear to us to be desirable after no more than 5 - 7 years, particularly where the advisor is under 40 years of age. Apart from the General Manager, management and staff should perceive their work at the B.I.C. (incubator) as a stage in their personal career planning, in which they can gain experience and further their education, rather than seeing it as a career in itself.” While the challenge to ‘keep things fresh’ is widely recognized, other experts have suggested; “You don’t necessarily have to step away from the job to recharge yourself. Sometimes immersing yourself further into the industry and plugging in to the current of new ideas can rejuvenate”.³³

In this regard, participating in industry events or training on a regular basis can help to keep managers up-to-date and focused on emerging trends.

Another scenario which may emerge is that the dynamic entrepreneurial founding manager stays in his position too long and ends up in conflict with the Board – the perception of ‘ownership’ of the incubator can be a problem in this case. On the other hand, succession can be a real challenge when the initial dynamic entrepreneurial manager leaves.

³³ Source: Yavorcik, C. (2007) - Keeping Things Fresh: How Incubator Managers Stick With Demanding Jobs, NBIA Review, June 2007

Section 2.3: Governance Issues

Section 2.3.1: Common Challenges of Public Incubators

Business incubators owned and/or managed by foundations, universities, government departments and other public organizations commonly face the following issues:

- Salary scales are aligned with public sector salary scales, which are normally lower than private sector scales and which may not reflect the level of skills and tasks required for incubator management positions;
- Incubator managers cannot usually take equity in public incubators, this sometimes makes these positions less attractive to the very best entrepreneurial incubator managers;
- Bureaucratic administrative procedures prevent the incubator from becoming an entrepreneurial role model for tenant companies; and/or
- The incubator risks becoming embroiled in divisive local politics, spending too much time with local stakeholders and losing its focus on serving its tenants.

The most common solution is to incorporate the incubator separately and at arm's length from the founding institution, which still technically remains the owner. Other solutions are also possible, for instance by formally gaining independence from the parent institution or outsourcing payroll and salary payments to circumvent institutional pay scales.

Note: Several examples of dynamic and entrepreneurial incubators exist within university and public structures and therefore it is difficult to say definitively that public ownership does not work well. The real issue may not be the ownership structure of the incubator, but whether or not the incubator is free to operate as a dynamic entrepreneurial business with the right leadership within either a public or private structure. AFI, in the Philippines, has a good functioning governance system as the incubator part of the Ayala Foundation³⁴. 3ie in Chile³⁵ is another good example. On the other hand, RaizCorp³⁶ in South Africa, which is featured as Case Study 1 of the current module, is an excellent example of the management of a purely privately owned incubator.



³⁴ Source : <http://www.ayalatbi.org>

³⁵ Source : <http://www.3ie.cl/>

³⁶ Source : <http://raizcorp.co.za>

Section 2.3.2: The Board-Manager Relationship

The caliber of the incubator manager is critical to the incubator's success. As the Board employs the manager, the following rules of thumb are worth bearing in mind:

- An ineffective Board will often drive away a good manager; and
- A poor manager will frustrate a high quality Board.

The right caliber of Board members is crucial. Ideally board members should represent the public private partnership supporting the incubator but the board should predominantly be made up of entrepreneurs and not of public sector officials. All board members should have a thorough understanding of good governance principles. Ineffective management boards dominated by the wrong people typically micro-manage, not giving management the freedom and flexibility to make their own decisions within a broad board-approved policy framework.

A competent manager is also crucial or the Board will get too involved in operational incubator management. Although the Board may get involved with good intentions, invariably over- involvement of board members in the day-to-day operations of the incubator results in micro-management which is a considerable waste of everyone's resources.

COMPONENT CONCLUSIONS

Incubators are operating in fast changing and challenging environments. To successfully meet these challenges, the incubator management must be able to adapt to the changing needs in their operating area. Appointing the right profile of individuals to the Board and to the incubator management team is essential for the long term success of the incubator.



Case Studies

Business management as the key to success for a business incubator

Incubator Name: Raizcorp, South Africa

Sector: Focus on micro and small enterprises

This Case Study Examines: The management model

Date: January 2010

PART I

SUMMARY

Problem

Business incubators aim to support companies to enable them to grow and become sustainable. However, many incubators are limited in their activities due to the fact that they are fragile organizations themselves struggling to become sustainable because of the limited financial and human resources available for them to carry out their activities.

Solution

A business incubator is like any other business and should be managed like a business in order to become sustainable and hence be able to provide sustainable and better support to the client companies.

PART II

BACKGROUND

IRaizcorp was officially set-up in 2002, building on the experience of Mr Allon Raiz, the “Business Development Manager” in supporting businesses. Mr Raiz started business support activities on his own initiative supporting a first business in 2000, then a second in 2001, the number continuously growing over the years. Without putting the name of “incubation” on his operations, Mr Raiz decided to move his own office, as well as those of the supported companies under one roof in order to:

- Save money on costs, such as office rent and travel;
- Promote the exchange of individual experiences between the businesses and encourage them to find sources of inspiration and solutions from one another;
- Better support the client companies by interacting more often and more easily with them through providing similar services to companies hosted under the same roof.

As manager of Raizcorp, Mr Raiz had to overcome the same challenges as his clients.

1. How to manage the financial resources?

The goal of Raizcorp has always been to run the incubator as a commercial success: “it is in the DNA of the Raizcorp model”. Raizcorp was initially funded through personal assets, initial profits and small loans from friends. The idea of incubating the first companies was driven by the need to save financial resources, such as office rental costs, for both Mr Raiz and his clients.

Raizcorp follows different models to generate the majority of their income from clients:

- Minority equity stake (33.3%);
- Profit share of net profit before tax (20%); and
- Monthly fee covering access to the full Raizcorp service offering to clients, including for instance financial and entrepreneurship training, sales and marketing skills etc. Raizcorp is recognized by the Skills Education and Training Authority (SETA) as a provider of high quality training.

Initially, running Raizcorp required additional income, a situation similar to any other business. To make up for this income shortfall, Mr Raiz sold different services and products to clients and partners including fees to participate as a speaker in different events and undertaking consulting and training assignments. It is worth mentioning, as a simple and inspiring example of alternative revenue generation, the sweets displayed for sale at the receptionist desk of Raizcorp.

2. Raizcorp approach to human resource management

Careful staff selection is one of the keys to Raizcorp’s success. High quality staff constitute one of the critical “ingredients” which contribute to Raizcorp’s performance.

- All team members recruited are entrepreneurs themselves. They have been through the whole business start up processes and therefore they have the necessary empathy that is required to be a good incubator manager along with a thorough understanding of critical business issues.
- Business incubation is a “people business” so being able to communicate with stakeholders is crucial. All staff members are good communicators.
- They have the ability to sell, including ideas, a way of thinking, new potential incubatees, and so on.

Incubator staff are identified through a screening process that enables them to exhibit their strengths and abilities notably through dialogue and exchanges with entrepreneurs.

Raizcorp staff follow an internal training program on-going throughout the year, through which they explore key issues related to incubator management. The momentum created at these training sessions is maintained through meetings held once a week that give Raizcorp staff a forum in which to exchange ideas.

3. Strategic management of incubator branches

Raizcorp is currently established in four different locations, a head office and three other incubator operations. The head office provides support for all incubator operations in terms of content, quality control, ensuring the delivery of products offered in the incubators, accounting and so on. Some common services and products are designed by the head office for the benefit of all incubator operations. However, for the most part, the services and products delivered by each incubator operation are specifically designed and developed for that operation by the head office based on specifications that may include the operating area to be served, the client base, and the opportunities offered by the area. In this regard, the head office designs tailor-made services and products for each of the other three locations.

TIMELINE OF EVENTS

- 2000:** First business supported by Mr Raiz.
- 2001:** Second business supported by Mr Raiz.
- 2002:** Official establishment of Raizcorp.
- 2006:** Second branch Incubator established.
- 2007:** Third and fourth incubator branches established.
- 2010:** Three new locations to be set-up in addition to the established four.

OUTCOME AND CONCLUSIONS

The Raizcorp team is composed of 38 people sharing the same vision of business support and committed to the same goal: to *“grow profitable entrepreneurial businesses”*.

Raizcorp commits itself contractually to increasing the profitability of their 200+ client base. If unsuccessful, Raizcorp will hand back the equity at no cost and write off any outstanding Raizcorp fees. To date, not one company has ever invoked this guarantee.

PART III

LINKS

Raizcorp website: <http://www.raizcorp.co.za/index.html>

REFERENCES

The material for this case study was contributed by Mr Raiz, “Chief Excitement Officer” of Raizcorp. The information was obtained from firsthand experience and personal involvement in the development of the Raizcorp approach.

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Planning an incubator as the solution to foster local economical development

Incubator Name: Inkubator d.o.o., Sezana, Slovenia

Sector: Generalist Business Incubator

This Case Study Examines: How the organized efforts of local stakeholders may contribute to the creation of an incubator, enterprises, jobs, and growth in the concerned area.

Date: October 2009

PART I

SUMMARY

Problem

Economic development is a local issue. In developing areas, one of the main problems faced by localities is the limited number of individuals or organizations capable of generating sufficient economic activities to lead to overall local economic development.

Solution

It is critical to foster entrepreneurship and the development of small businesses in order to enable local economic development. This has to be done at local level by local stakeholders and through a local solution, such as 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, which resulted in the bankruptcy of many local industrial factories, the municipality of Sezana had to confront several major challenges:

1. High unemployment within the manufacturing sector;
2. The municipality was appointed owner of the buildings of the bankrupted companies'; and
3. A critical economic crisis in the operating area.

The initiative to set-up an incubator

The municipality of Sezana approached a leading business consulting firm for SMEs, Sloveneta d.o.o., and proposed a partnership in order to renovate the bankrupted companies' buildings and redesign them for use as a business incubator. The idea was to partner with a local institution to encourage the creation and development of small businesses with the aim of tackling the three issues mentioned above.

Securing 'buy-ins' from stakeholders

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

Management of the incubator

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

Funding of the incubator and its equipment

The factory buildings available for the incubator project were abandoned by their previous owners and required considerable investment in order to be renovated into incubator facilities. The owners of these new incubator buildings took the decision to sell the machinery left in the factories in order to generate income to buy the necessary equipment for the incubator to start its operations.

Due to its geographical location bordering 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 allowed the partnership to refurbish and enlarge the factory premises to make up a total of 7,000 square meters of flexible incubation space. Over the following years, Inkubator received an additional 200,000 Euros of EU co-financing to set-up an infrastructure dedicated to small businesses within the incubator property and to create a "small business zone".

In 2006, Inkubator received funding of 1.5 million Euros from the EU and matched funding from national ministries to contribute to a total investment of 3 million Euros to build a 2,500 square meter Business and Innovation Centre (BIC) dedicated to innovative companies.

Incubation facilities

Incubation space was made available at a subsidized rate to incubatees for the first 2 years of occupancy. The rent increased over time but remained below market rates. The incubation space made available was refurbished by the incubatees themselves to suit their needs.

Services offered to the incubators' client companies

The incubator staff circulated a questionnaire among their current and potential client base to assess

their business support requirements. The results of the survey determined the types of services the incubator offered.

Based on the survey results, the incubator offers several services including:

- Analysis and evaluation of technological, marketing and financial aspects of a project;
- Package of services for developing entrepreneurial skills;
- Assistance in preparation of business plans;
- Raising financial resources;
- Coaching of companies in the first years of development;
- Establishing connections between companies and centers of knowledge;
- Cross-border cooperation in the field of internationalization of small and middle-size companies; and
- Introducing innovation to existing companies in the operating area of the incubator.

TIMELINE OF EVENTS

1991: The municipality of Sezana becomes the owner of bankrupted factory buildings.

1992: Establishment of the incubator.

1997: The incubator received EU funds in the framework of the Cross Border Connect program.

1998: The incubator was reconstructed and enlarged.

2002-2005: Graduate companies moved to the post-incubation zone.

2006: Readjustment of the incubator's focus from entrepreneurship and job creation to innovation and added value notably by joining the European Business and Innovation Centre Network (EBN) and opening the Business and Innovation Centre (BIC) of Sezana.

OUTCOME AND CONCLUSIONS

Inkubator d.o.o. has been operating since the very beginning thanks to the continuous support of both public and partner organizations, first of all the municipality of Sezana and the consultancy firm of Sloveneta, but also through international partnerships as a result of participation in European Union programs.

The results of 17 years of operations 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 graduate companies,
- 235 employees/positions,
- 46 offices/service units/laboratories,
- 21 production units,
- Between 7 and 14 storage rooms,
- 3 class rooms,
- 2 seminar rooms,
- 1 conference room,
- 1 conference hall, and
- 1 restaurant.

PART III

LINKS

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

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

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[http://www.idisc.net/en/Page.MEIA.Study.Summary.html#_Business Incubation Fosters](http://www.idisc.net/en/Page.MEIA.Study.Summary.html#_Business%20Incubation%20Fosters)

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<http://www.3ie.cl/>

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<http://www.businessedge-me.com>

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USEFUL INTERNET LINKS

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<http://humanresources.about.com/cs/strategicplanning1/a/strategicplan.htm>

http://www.myggsa.co.za/connect/receivers/bulungula_incubator/

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SUGGESTED FURTHER READING

McKnight T. (2003) - Will it fly? How to know if your business idea has wings... before you take the leap

Annex 1: CREEDA Projects Self-Assessment Tool, Chapter 2

ARE YOU READY FOR BUSINESS?

Starting a small business and making it work can be hard. We all know people who seem to be 'natural salesmen' (and saleswomen!), or people who just seem to be able to make a good idea pay. But where do you fit?

This Chapter will help you work out how ready you are to go into business. And it will help you work out what sorts of help you might need to get yourself better prepared for going into business (Chapter 5 has the list of people to go to).

HAVE YOU GOT WHAT IT TAKES?

This Chapter is just for you, to help you work out if you would make a good small business person. Your answers to the questions in this Chapter will help you work out the kinds of help you might need. No-one else needs to see your answers in this Chapter, and you won't need to send it to anyone.

There are four parts to this Chapter:

1. The first part, *Personal Character*, is multiple choice and asks you to choose one answer that shows how you would react to the highs and lows of being in business.
2. Part 2 looks at your health and how you'll manage to keep the business going if you're off for a few days.
3. Part 3 looks at your own experiences. Have you got all the basics you need to make your business work?
4. Part 4 asks about your reasons for going into business – what do you want the business to do for you?

PART 1 - YOUR PERSONAL CHARACTER**How well will you handle being in business?**

These 21 questions ask you to choose the answers that reflect YOUR personality. For each question, have a look at all the answers and circle the one that fits you the best. At the end of the questions, look at the scores for each of your answers, add them up and see how you go!

1. Think back over the last year or so. Did you start and finish any of your own projects? A project could be anything – like going on a trip with others, building, restoring or making something, writing, doing a course. Over the last year or so I:
 - a) Started and finished some things
 - b) Started some things but didn't finish many
 - c) Didn't do many of my own things, but actively helped other people's
 - d) Was far too busy to be doing my own things!

2. Where are you going? Imagine yourself in ten years' time. Think of a whole range of things: your wealth, your security, your social situation, respect that others have for you, your knowledge.

My attitude is:

- a) I am open-minded about what I want to achieve and I am prepared to work to get the results which appeal to me
- b) I am not the sort of person who feels they have to achieve particular goals
- c) I have some ideas about what I want to achieve and it would be nice if I could get there
- d) I have a clear idea about one or two things and it is important for me to get there
- e) I have a clear idea of what I want to achieve in many things and it is very important for me to get there

3. What do you do under pressure? Imagine that you have started something you thought you could do in one evening but it is already getting late. What best describes your attitude towards finishing it? My attitude is:

- a) I've done my best and I'll just have to leave it as it is and hope that it is good enough
- b) I will reduce the project to something more realistic that I can finish soon
- c) I really want to get it finished - even if that means staying up very late and being tired tomorrow
- d) If I leave it for now, and get a good night's sleep, I will do a better job of finishing it tomorrow

4. Have you ever been in a position of leadership - for example, a captain of a sports team, a supervisor at work, main organizer of a social event such as a party or camping trip? Which of the following best describes your feelings about this position? As the person in charge:

- a) I prefer to be a team member than a team leader but am willing to accept the leadership role if I have to
- b) People accepted me as a leader but I was not always comfortable about the responsibility
- c) I enjoyed being a leader and prefer to be the one in charge rather than a member of somebody else's team
- d) I would prefer not to be the "leader" - successful projects don't usually need one anyway

5. When you are in a large social group like at a party or barbecue, which of the following best describes you? I am:

- a) Louder than average in making my thoughts known
- b) Prepared to explain my ideas when needed
- c) Happier listening to other people and then saying what I think
- d) On the quiet side, keeping my comments for my friends
- e) Pretty quiet - I like to keep my opinions to myself

6. What do you think about meeting new people?

- a) I get on with others, but I prefer to be by myself
- b) I prefer to spend time with just one or two others who I know
- c) I prefer to be with close friends and family
- d) I enjoy large groups and meeting new people

7. What would you like to do with your business? When I think about the business in the future I:
- a) Like to think about the ways in which I would run it differently from others
 - b) Think about how I would use successful ideas I've seen in other businesses
 - c) Imagine a business running smoothly like clockwork
 - d) Have an open mind about how it would operate
8. Think about the things you have set out to do in your life – across a whole range of things: in your social life, in learning new things, in making or fixing things, in helping others, in sport, and so on. I usually succeed in whatever I set out to achieve:
- a) More often than most people
 - b) About as much as anyone else
 - c) Not that often, but I am always willing to try
 - d) Not as much as most other people
9. What do you think about taking risks? My attitude to risky things is:
- a) I like to be careful, and reduce risks to a minimum
 - b) If I don't take risks, I don't stand to gain anything
 - c) Sometimes I am forced into a situation where I have to take a risk
 - d) I like to calculate the risk and the gain to work out if it will succeed
10. Are you any good at making decisions? If you had to make a big decision and, even after considering all the most important things you still weren't sure what to do, what would you most probably do? I would:
- a) Ask for advice from someone I respect
 - b) Get more information to help me choose
 - c) Look at the way successful people have made similar decisions
 - d) Take a middle road between the extreme responses available
11. Have you done something in the last year that you have had to apologize for?
- a) No
 - b) I haven't needed to because I haven't done or said anything that was wrong
 - c) Yes, a few times
 - d) Yes, many times
12. What do you think about making mistakes?
- a) I hate making mistakes – I go out of my way to make sure nothing goes wrong
 - b) If something goes wrong, I try and learn from it
 - c) If something goes wrong I'll try and find someone else to blame
 - d) I make mistakes all the time – no-one seems to care

13. Which of the following statements best fits how you react to friends' problems? When my friends have problems:

- a) I sympathize with them and give them support until they sort things out themselves
- b) I enjoy helping friends to solve their problems
- c) I think other people should be more like me and solve their problems by themselves
- d) I think that in the end, they will have to make up their own minds what to do

14. Imagine that your car has broken down but you need it for your business and want to get another one.

- a) You want to spend as much as you can afford on another car so you can get a reliable one - you depend on it.
- b) You don't know how much you can get for your old car and so it's difficult to decide how much you can afford to spend on another one.
- c) I would probably hire a car until I sell the old one and then I will know exactly how much I can afford for another one
- d) Guess how much I will get for the old one and then go ahead and buy another one
- e) Buy another car without relying on getting anything at all for the old one - that way I will have money in my pocket when I sell the old one and I need take no risk at all
- f) Do without a car until I sell my old one - even though my business might suffer a little, that way there is no risk

15. How would you balance people and business? What will you do when you have to make a business decision affecting staff or customers? I would:

- a) Do what's right for my staff
- b) Do what's right for my customers
- c) Do what's right for the business
- d) Balance the needs of staff, customers and the business
- e) I'm not sure, it would depend on the situation

16. Consider the situation where you have an argument, about politics for example, in a social situation, and most people think that you came off second best. Afterwards, thinking about it calmly at home, what is the most likely thing you would do? I would:

- a) Think about my opinion, and maybe change it
- b) Stick to my opinion, and think up new arguments to support myself next time
- c) Stick to my opinion, and think up weaknesses in my opponent's arguments
- d) Be ready to change the topic of conversation next time it looked like coming up

17. Imagine you have been asked to organize a wedding for a friend or family member. Which answer best describes how you would feel? I would be:

- a) Relaxed because it will be a great party
- b) Not too keen because it will take up a lot of my time and there are bound to be problems
- c) Looking forward to getting them organized knowing I will enjoy the experience
- d) Worried that I might forget something important
- e) Wishing someone else who is a better organizer would do it

18. Imagine that you were going to make something - such as cooking, building, doing something in the garden, fixing your car. What would you most likely do? I like to:
- a) Get started first and then go to the shops when I need something
 - b) Perhaps buy a few things, but then make do with whatever I have
 - c) Plan everything in advance so that I only need to make one shopping trip
 - d) Go to the shops whenever I need something
19. Which of the following best fits what you think about achieving success in your chosen business?
- a) It is the most important thing for me
 - b) It is quite important to me but I am not completely fixed on it
 - c) It is important to me but I am prepared to look at the situation day by day
 - d) It is important to me, but so are other things. I am not going to get things out of balance
 - e) I'm not sure yet where I want my business to go
20. What best describes the attitudes of your closest family (that is, your husband or wife if you have one, or else your parents, or your children if they are adults)?
- a) They fully support me going into business and understand it may take up a lot of my life
 - b) They fully support me going into business but are probably not aware how much time and energy it will take up
 - c) They fully support me going into business but want me to limit how much time it will take up
 - d) They would prefer me to work for someone else in a "normal job"
 - e) I don't know what they think
21. Can any of your family or friends help you in your business? How would you describe your family and friends?
- a) There are family or friends who are happy to help me occasionally without demanding a lot of money
 - b) I have family who will help me often without needing to be paid much or at all
 - c) There are family or friends I could employ on a casual or contract basis whenever I suddenly need extra help
 - d) None of the above

Scoring

People who are successful in small business often have similar attitudes to tackling the kinds of questions in this Chapter. The scores given for the answers match the kinds of answers that successful small business people usually (but not always!) give.

Give your answers the following point scores, then add up your total points and go to the next page to see how good you'd be in business.

| | POINTS | | POINTS | | POINTS | | POINTS | | POINTS | | POINTS | | |
|-----------|--------|-----------|--------|-----------|--------|-----------|--------|-----------|--------|-----------|--------|-----------|-----|
| Q1 | A 5 | Q2 | A 2 | Q3 | A 0 | Q4 | A 0 | Q5 | A 5 | Q6 | A 3 | Q7 | A 5 |
| | B 2 | | B 0 | | B 2 | | B 2 | | B 3 | | B 0 | | B 5 |
| | C 2 | | C 1 | | C 5 | | C 5 | | C 3 | | C 0 | | C 3 |
| | D 0 | | D 4 | | D 4 | | D 0 | | D 0 | | D 5 | | D 0 |
| | | | E 5 | | | | | | E 0 | | | | |

| | POINTS | | POINTS | | POINTS | | POINTS | | POINTS | | POINTS | | |
|-----------|--------|-----------|--------|------------|--------|------------|--------|------------|--------|------------|--------|------------|-----|
| Q8 | A 5 | Q9 | A 0 | Q10 | A 5 | Q11 | A 0 | Q12 | A 2 | Q13 | A 0 | Q14 | A 2 |
| | B 3 | | B 3 | | B 5 | | B 0 | | B 5 | | B 5 | | B 5 |
| | C 1 | | C 0 | | C 2 | | C 5 | | C 0 | | C 3 | | C 0 |
| | D 0 | | D 5 | | D 0 | | D 0 | | D 0 | | D 0 | | D 0 |

| | POINTS | | POINTS | | POINTS | | POINTS | | POINTS | | POINTS | | |
|------------|--------|------------|--------|------------|--------|------------|--------|------------|--------|------------|--------|------------|-----|
| Q15 | A 2 | Q16 | A 5 | Q17 | A 2 | Q18 | A 0 | Q19 | A 4 | Q20 | A 5 | Q21 | A 3 |
| | B 2 | | B 2 | | B 1 | | B 2 | | B 2 | | B 2 | | B 5 |
| | C 5 | | C 2 | | C 5 | | C 5 | | C 2 | | C 0 | | C 2 |
| | D 0 | | D 0 | | D 0 | | D 0 | | D 5 | | D 0 | | D 0 |
| | E 2 | | | | E 0 | | | | E 0 | | E 0 | | |

Your Score:

| | | | | | | | |
|----|--|-----|--|-----|--|-------|--|
| Q1 | | Q8 | | Q13 | | Q20 | |
| Q2 | | Q9 | | Q14 | | Q21 | |
| Q3 | | Q10 | | Q15 | | TOTAL | |
| Q4 | | Q11 | | Q16 | | | |
| Q5 | | Q12 | | Q17 | | | |
| Q6 | | Q13 | | Q18 | | | |
| Q7 | | Q14 | | Q19 | | | |

How did you DO?

There is no simple recipe for success in small business. Many different sorts of people have proved that they can make a small business work for them. But new businesses are often a reflection of the owner's personal character – and that's where your answers to these questions can help you work out how good you might be at running a business. The questions covered a wide range of different topics from self-confidence to determination to problem solving – all things that will affect how you run your business. The scores give you an idea of what the 'ideal' characteristics might be, based on research with successful small business people.

75 or more points

In general, you have the sort of personality and outlook which are probably suited to being in business for yourself. However, you should take a look at the questions where you scored less than 3 – they might show ways in which your outlook could be changed to help you be more successful running a business. You could work on some characteristics such as your attitude to risks, or the level of support from family to improve your chances of small business success.

But some characteristics may be too much a part of you to change. If you lost points because of these characteristics, then you might feel uncomfortable with certain aspects of running your own business and you should be prepared to put extra efforts into them. For instance, if you are not a highly social person, you might put extra energy into maintaining good relations with customers and suppliers through writing, calling them or sending them cards. Or if you are not very good at planning ahead and getting yourself organized, you might think about working closely with someone else who can do the planning for you or for your business.

Being in business should be about long-term success. You will need to have commitment to make it work. But you will also need to balance the demands your business makes with other responsibilities from family and community members, as well as with other parts of your life.

50 – 75 points

Although you could still run a successful business, there are quite a few areas in which you don't match the typical personality of a successful small business person. This means that you should seriously reconsider going into business. Not everyone is suited to being in business by themselves, and you may find the demands of pushing your business towards success just too much.

Of course, you may have a good business idea - perhaps you should consider going into a partnership with someone else, and then between you, you might make a team with a great spread of qualities, skills and experience to ensure the success of your joint business.

If you do decide to form a partnership with someone else, try to work out and list exactly what sort of person would be best for the business, and choose someone based on this list. Remember that such a partnership is a business partnership more than anything, so don't take your decision lightly or base it on emotional factors such as others' expectations, duty towards friends, etc. Your decision about who to invite to be a partner is your first and most important business decision - so treat it as a business decision and be rational about it.

Under 50 points

Being in business will make a lot of demands on you personally. To make your business succeed you have to be able to do a broad range of things well, and handle a broad range of challenges.

If you scored below 50 points you may have trouble handling many of these demands. Your business idea could still be a great one; it just might be hard for you to do it on your own. See if you can find someone to be a mentor for you while you are getting your business going. Chapter 5 can help you find someone who can connect you with a mentor. Have a look at the questions where you scored 3 or less. Each one of the situations described in these questions could be hard for you to handle. You should think seriously before you start your business about building your skills to handle these situations better. Again, have a look at Chapter 5 for people you might be able to talk to, or who might help you build the skills.

PART 2 – HOW IS YOUR HEALTH?

When you start up a small business, you'll need to be able to put in time and energy to get it going. And if you are starting it by yourself, your own health is important. When you start a business, one of the most important things is building up your customers. If you have to take a lot of time off, your customers may start going to someone else. Take a few minutes to think about the following questions, and be honest with yourself about your answers.

- When did you last have a medical check-up by a doctor?
- Think back over the last year. On how many days were you too sick to work a full day?
- Can you work long hours without getting sick or run down?
- Does your body react badly to stress? For example, does it make you sick, give you stomach pains, cause headaches, cause you to lose your appetite?
- What about your family and community – are there people that you need to care for that could mean you have less time for your business?

How did you DO?

If you are getting into small business your health is even more important than normal. This is for two reasons:

- When you run your own business, you are often under greater physical stress (longer hours, travel, no time to eat well) and emotional stress (worry about the business which you can't always share with other people).
- These stresses can affect your overall health.

If your health is run down, your business could easily suffer. If you are not well, you may not be able to make good decisions, and you may not be able to maintain production. Who will make decisions and do what has to be done on a daily basis if you are sick - for one day, a week, or longer?

You need to consider these issues seriously - you won't be able to simply walk away from your business when you are sick, and pick it up again where you left off when you get better. In the mean time it might have slipped backwards. You might have missed orders, missed jobs, or lost customers. You might need to reconsider going into your own business if your health presents risks.

Whether or not you seem healthy, if you can you should also have a health check before your business starts to operate, just as you might take a vehicle in to have a service before a long and important trip.

You should also have a plan in mind to help you deal with the possibility of your illness:

- Can you find someone to stand in for you – to keep making the things you're selling, or providing the service?
- Can you find someone who can make sure the important things keep happening every day?
- Can someone tell your customers?

This plan could also help you manage any other times that you have to be away on your business. You may have to be away for any number of family or community reasons, and if you are the main person (or especially if you are the only person!) in the business you'll need a back-up!

PART 3 – SKILLS, EXPERIENCE AND EDUCATION

The next group of questions asks you about your skills and experiences in the kind of business you'd like to start. When you think about the following questions, give yourself a score between 1 and 5 depending on how good you think you are (or would be) at each thing. Try to be honest, and as realistic as you think you can be.

| | | | | |
|----------|----------|----------|----------|-----------|
| 1 | 2 | 3 | 4 | 5 |
| POOR | NOT GOOD | AVERAGE | GOOD | EXCELLENT |

General:

1. How good are you at doing calculations with money? (Such as working out prices or discounts, or working out percentages?) _____
2. How do you score your reading skills? (For example, do you frequently read books, magazines or newspapers? Do you find this booklet easy to read?) _____
3. How do you score your writing skills? (For example, letters to suppliers, distributors or outlets, simple promotional material) _____
4. How do you score your confidence in ringing people you haven't spoken to before, and dealing with them over the telephone? (For example, getting the information you want, or getting to see them in person)? _____

Your Score: _____

The particular business idea:

1. How do you score your experience in the business you want to go into? (For example, have you worked for other people in this type of business? Have you worked in a closely related field?) _____
2. How do you score your abilities in the special skills needed in the business? _____
3. How do you score your opportunities to go to someone for good advice about this particular sort of business? _____

Your Score: _____

Being in business:

1. What is your experience like with the sorts of paperwork businesses need to do? How do you score your confidence in taking it on? _____
2. Have you ever had to sell a product before or deal with customers? How do you score your ability or confidence in these things? _____
3. How do you score your confidence in setting (and getting) prices for your work, and on asking people for money? _____

4. How do you score your level of confidence in dealing with institutions like banks, councils and government departments? _____

Your Score: _____

Running your own business:

1. What level of experience do you have in being responsible for a business-like project or part of a project? _____

2. How do you score your opportunities to go to someone for good advice about running your own business? _____

3. Score yourself on some of the main small business skills:

- Promotion and marketing _____
- Handling money _____
- Keeping records _____
- Selecting staff (if you might need staff) _____
- Managing staff (if you might need staff) _____
- Handling stock _____
- Meeting orders _____
- Following laws and regulations _____

Your Score: _____

Now add up the section scores you gave yourself: _____

How did you DO?

75 or more points

You seem to have most of the important skills and experience covered. However this in itself is no guarantee of business success. You will be competing with other businesses - probably some with more experience and skills than you - and you should look to use other peoples' business wisdom to help increase yours even more. Have a look at any questions where you gave yourself a score of 3 or less. You may be able to talk to someone and get some help and some skills to get over these possible weaknesses. See Chapter 5 for pointers to where you can go for advice, information and further education.

50 – 75 points

Before you put yourself and your savings on the line, you should think about covering some of your possible weaknesses. Your business will be operating in a competitive marketplace and to give yourself the best chance of success you will need to have as many skills as you can, across the broad range of areas covered in these questions.

It would be a great pity if your business failed because you were not quite prepared in terms of skills

and experience - especially as sometimes just a little bit more knowledge or experience makes all the difference in the world! There are probably some skills you could develop quickly which will help you make the difficult and crucial decisions you will be faced with as you work to get your business started. Have a look at the questions above where your scores were low (3 or less) to see what these could be. There are written materials, courses and advisers in Chapter 5 that you would find helpful as you “skill up” for the rough road ahead.

Even more importantly, you could gain experience by working for a small business or for a business which operates in a similar area to that in which your business would operate. You will come to see from the inside how businesses operate, learning valuable lessons and planning how you could do things better in your own business.

Under 50 points

You should think seriously about whether you should be going into business. Your idea may be good, but you don't yet have the basic skills you need to turn your idea into a working, income-earning business.

You really need to do some work preparing yourself. Try and get to a small business training course. Your local contacts in Chapter 5 will help you find out how to apply. You could also try and find a mentor to help you learn the business skills you need while you concentrate on making the goods or providing the services. Or perhaps you could go into business in partnership with someone more experienced. If you want to think about this, choose carefully as your business partner, and any agreements you have on how the partnership will work, are very important things for the business's future.

If all these options seem too hard, or too much work, perhaps you should treat your business idea as a hobby – saving you from the extra stress and financial burden of having to make a living from it as a business!

PART 4 – WHAT IS YOUR APPROACH TO BUSINESS?

Have a look at each of the 8 statements in the list below. Put a number against each one, starting with 1 being the most important to you and go on to number 8 – the least important.

What are your reasons for wanting to start your business venture?

- a) I'm currently unemployed and it will get me a job _____
- b) Working in my own business would be much more interesting than any other job I could get _____
- c) I don't want to work for a boss _____
- d) To build a better future for myself and/or family _____
- e) To prove I can be a success _____
- f) To make money _____
- g) To contribute to the community _____
- h) To work my own hours _____

How did you DO?

This question (and the next one) is not really aimed at measuring your chances of success in running your own business. Rather, it helps you look at your goals and the role you see yourself playing in your business. Look at the reasons you marked 1, 2 or 3 - the most important reasons you have for wanting to start your business. Now read about those reasons:

(a) I'm currently unemployed and it will get me a job

If you marked (a) as an important reason for starting your own business (that is, you numbered it 1, 2 or 3), you should be aware that running your own business is quite different from doing a "normal" job. You will probably find it will be more exhausting, you may well have to work longer hours, it won't be easy to fit the rest of your life around it, the money will not be as good or regular as that of a "normal" job during the first year or so, and you will have to risk savings to try to get it going. If you want to start your business because of reason (a), you should make sure that you are sure about the other reasons motivating you. Because, if this is a main reason you might well be disappointed with the difficulty of running your own business and the pay, compared with getting a job in someone else's business!

b) Working in my own business would be much more interesting than any other job I could get

Many things about running your own business can make life more interesting than what you could expect as an employee somewhere else. On the other hand, there are many tasks you will have to do to help your business succeed which you might find difficult and boring. The finances will need to be worked and reworked, taxes calculated and accounted for, customers approached and re-approached, and you will have to find out about new products, markets and suppliers. You might also need to take on staff and do a lot of paperwork on them too.

c) I don't want to work for a boss

True, working for a boss is not always rewarding or pleasant - though it can be both! It is also true that in running your own business you will get to make the decisions yourself, and that can be very satisfying. But remember that, in a way, you will still be working for other people who can be demanding - your customers! Making them happy is the price you must pay for business success. So, yes, being your own boss gives you freedom to decide your business's direction in many respects, but you will be bound by the responsibility towards your business of making the best decisions you possibly can. Some people find this responsibility too much of a burden and would rather work for a boss - and save themselves a lot of worry!

d) To build a better future for myself and/or family

Many people do build a better future for themselves and family. Not just in financial terms, but your business can give your family members valuable experience and they can share the rewards of helping to shape the business and gaining employment in it. Like you, however, they will suffer the downsides: they may have to work hard and long for little money especially during the first few years, losing opportunities elsewhere, sharing in the risk of the venture, and so on. You should talk to your family regardless of whether or not you are heavily motivated by (d) - partly because you are making a big decision on their behalf, and partly because you will need their support in all sorts of ways to see the venture through. What's more, involving family and friends by including them in discussions before you set up your business and once it's going too, will help you draw on the very good ideas they're bound to have!

e) To prove I can be a success

All of us like to be respected, and being successful in running a business is one way of proving our value - to other people, as well as to ourselves. Perhaps you have looked around and seen the sorts of people who have successful businesses and thought "I could do that - and better!" Well, it is probably true, but unfortunately business success depends on a lot of factors, and includes a good measure of luck. There are many very capable people whose businesses have failed. So, while you could prove to the world that you could make a success of your business, you might also fail. There is no guarantee for success, and this booklet shows you how best to look at and prepare yourself and your business so that you have the best chances of success.

f) To make money

It must be said that yes, you can make good money from your business and we often hear about self-made millionaires who started out small. But the reality is that more small businesses fail than thrive. Half of new small businesses fail within two years and 75% within five years!⁴⁸ And, of those that survive, most don't make their owners rich. Your business could be the exception which proves the rule, but of the reasons given for going into business, getting rich is one of the most unrealistic. You should consider yourself fortunate if your business thrives and you make a decent sort of living from it. But the first hurdle is seeing your business survive!

⁴⁸ Source: Reynolds, Savage and Williams (1994) – Your Own Business, Nelson Australia Pty Ltd p37

g) To contribute to the community

Contributing to the community is a great reason to go into business. As a business person you can create and share opportunities with others in your community and you can also get a lot of support in return. Some people might think that as a business person you are mainly interested in ripping off others in your community. But in all sorts of ways you could be doing others a favor - for example, by creating employment, bringing people into the community who might spend their money there, by raising the profile of your community, and by setting a personal or business example for others. No matter what your main reasons are for wanting to go into business, the good you can do your community might be appealing to you.

h) To work my own hours

Being your own boss does mean, in general, you can work your own hours. But, you might also have to drop everything else and give your business attention when it needs it. You will also probably have to work long hours, especially when you are getting the business going. Most small business people work longer hours than people on wages. And when they work it out, they can be surprised at the small amount of money they are getting for each hour they work. If you are not prepared for this, perhaps you should consider doing your business idea as a hobby, because business success comes more from perspiration than inspiration! You will need to be dedicated and full of energy, and you will need the stamina to keep on going when the going gets tough! So, of the reasons given, if you marked (h) as a high priority, you could be being dangerously unrealistic about what being in business demands. If you have any doubts at all about this advice, just ask someone who runs a successful small business!

QUESTION 49

You can run your own business in two main ways: either relying mainly on the technical skills in the business you will be in; or else relying mainly on your experience and ability as a manager and organizer. What would be your emphasis?

- a) Mainly technical skills (includes trade, artistic, creative, skills, specialized knowledge and abilities)
- b) Mainly skills as a manager and organizer
- c) Both technical and as a manager

How did you DO?

If you chose (a) or (b) in answer to this question, you may well need to call on someone with the other skills for help or advice to match yours. You might be able to learn about the technical aspects of your business as you go along if your skills and experience are limited, but, at least at the beginning when you are getting established, you will need a good and reliable technician to be able to compete successfully in the market place. This could be an employee, a partner or someone who is happy to help you while you learn the ropes.

Many people who are experienced in the technical aspects of a new business are not good or experienced managers and this could be a critical problem for the business. You might be the best accountant, tour guide, plumber, cook, or computer expert, and you might have a brilliant new business or product idea. But unless you can manage your business it will fail. Lack of business or management experience, skill and ability is named by 60% of failed small businesses as one of the critical factors in their failure.⁴⁹ But, again, you can team up with someone who has the appropriate abilities and experience.

If you chose (c), you are aiming to balance technical and management skills in your own role in the business. You may need to round out your skills - see Chapter 5 for some ideas about where you could go to "skill yourself up". Once your business is up and running, it might also be useful if you refresh your skills or look for useful new ones to learn. In this way you could gain or maintain an advantage over competitors and keep yourself sharp to guide your business towards success.

Of course, there is no replacement for real experience. You may decide that you could benefit by putting off your leap into a business venture until you have some more firsthand experience, which you could get by working in your chosen industry, or with another sort of business where, even so, you can get management or business experience.

Next best to firsthand experience is second hand experience. You could also attach yourself to a mentor - someone with a solid and successful background in business management or in the technical side of your business, who is happy to look over your shoulder at what you are doing, talk through things with you, and give you good and generous advice.

⁴⁹ Source: Reynolds, Savage and Williams (1994) - Your Own Business, Nelson Australia Pty Ltd, p.40



Annex 2: Badir Incubator Program Application Form

| | YOUR ORGANIZATION |
|---|-------------------|
| APPLICANT: | |
| COMPANY NAME: | |
| BUSINESS REGISTRATION NUMBER: | |
| BUSINESS POSTAL ADDRESS: | |
| BUSINESS STREET ADDRESS: | |
| CONTACT DETAILS (PHONE, FAX, E-MAIL AND WEB IF AVAILABLE) | |
| BRIEFLY DESCRIBE YOUR COMPANY: | |

Preliminary Business Plan

Please answer the following questions in as much detail as possible. If you have difficulty with any of the questions, BADIR Management will provide assistance. The BADIR Pre-Incubation Program will have helped you develop your business plan and should be used for the answers in this form.

| | OPPORTUNITY |
|---|--|
| What type of opportunity is it? | (e.g.: wireless technology, online/internet service) |
| How did the opportunity/concept come about? | Please provide us with a brief history. |
| Describe the product's or service's unique functionality, technical risks, limitations, etc | |
| Describe the company's competitive advantage | |

| | MARKET |
|---|---|
| CUSTOMERS | |
| What problem are you solving for customers? | |
| How are you going to solve it? | |
| Have you undertaken any market research? | <p>Yes/No</p> <p>If Yes please tick what the research covered:</p> <p><input type="checkbox"/> competing products</p> <p><input type="checkbox"/> similar products</p> <p><input type="checkbox"/> similar business models</p> <p><input type="checkbox"/> size of market (value)</p> <p><input type="checkbox"/> demographic</p> <p><input type="checkbox"/> other – please describe</p> <p>Please also describe what research was undertaken and use the results of the research to inform you answers to subsequent marketing questions:</p> |
| Have you undertaken any market research? | Yes /No |
| What market segment are you going to target? | |
| What is the size and growth rate of this market? | <p>Please detail market assumptions with factual information backing assumptions as appropriate.</p> <p>Size:</p> <p>Growth rate:</p> |
| How are predicted industry trends going to affect the business? | |

| | MARKET |
|--|--|
| What problem are you solving for customers? | |
| MARKETING STRATEGY AND IMPLEMENTATION | |
| What are your market entry strategies? | |
| How will you maintain and develop your market? | E.g.: pricing, product, promotion, distribution |
| What is your marketing Mix | |
| How will customers be found and retained? | |
| Does the market appear viable/accessible? Is it proven? | |
| What are the barriers to market entry, can these be overcome, and how? | |
| Are there existing marketing and distribution channels? | |
| What is your Unique Selling Proposition (USP)? | |
| How long will it take to get the product/service to market? | Bullet list: <input type="checkbox"/> 1 year <input type="checkbox"/> 2 years <input type="checkbox"/> 3 or more years? |

| | MARKET |
|---|--------|
| PRODUCT OR SERVICE | |
| Is this product or service the first in the market? | |
| What is the product or service lifecycle? | |
| How could advancing technology change the market? | |

| | COMPETITORS |
|---|---|
| Who else is in your planned market? | i.e.: how are customers currently solving the problem you propose to address? |
| Why are customers going to buy from you? | |
| What are the barriers to entry for competitors? | |

| | INTELLECTUAL PROPERTY |
|---|--|
| Is the technology protectable? | Yes / No If yes “How is this intellectual property currently protected?” |
| Do you require intellectual property protection? | Yes / No If yes: <ul style="list-style-type: none"> • What type of protection? • What will IP protection cost? |
| What kind of intellectual property do you own? | Please provide detailed information <patent, copyright, trade secret> |
| Does business success depend on any external intellectual property? | Yes / No If Yes: <ul style="list-style-type: none"> • Who owns the IP? • Does the business have licenses or agreements in place? Yes/No <ul style="list-style-type: none"> o If yes, please describe: |
| Is there a sustainable technical or proprietary competitive advantage for the product or service? | Yes / No If yes, please describe: |
| Have you registered domain names? | If yes, what are they and in what countries? |

| | TECHNOLOGY |
|---|---|
| What type of technology are you using? | Please describe the technology you are using. |
| Describe how this technology applies to your target market | |
| Are software design and technology certification procedures in place? | Yes / No If Yes, please describe the procedures and their application: |
| Are product development procedures in place? | Yes / No If Yes, please describe: |
| Are testing procedures in place? | Yes / No If Yes, please describe: |
| Has the technology proven to be feasible? | Yes / No If Yes, please describe: |
| Please identify and describe competing technologies | Current, and anticipated future |

| | ACCOMPLISHMENTS TO DATE |
|--|--|
| At what stage of development is your business? | Please choose one of the following: <ul style="list-style-type: none"> <input type="checkbox"/> Undertaking pre-business research and development, or testing an idea; <input type="checkbox"/> Working on a prototype; <input type="checkbox"/> Product or service in advanced development (beta testing); <input type="checkbox"/> In the process of establishing a new business for a ready-to-market product or service; <input type="checkbox"/> If you have had any sales, please indicate gross revenues to date <input type="checkbox"/> An unofficial business; <input type="checkbox"/> Re-establishing, re-branding or re-positioning an existing business please indicate your gross and net revenue range and attach financial statements for the business |
| How long have you/your team been working on the concept? | |

| | ACCOMPLISHMENTS TO DATE |
|---|--|
| Do you have any current customers? | Yes / No If Yes, please describe: <ul style="list-style-type: none"> • How many? • Are they paying customers? • How many are repeat customers? |
| What recognition have you achieved to date? | Please list: |
| Do you have any strategic alliances? | If yes, who are they and what type relationship do you have (i.e. equity transfer, license agreement)? |

| | BUSINESS MODEL |
|--|---|
| How are you going to make money? | For example, advertising, transactions fees, fee for service, subscription based, etc. List all your revenue streams and their relative importance. |
| Who is going to pay you for the service/product? | For example, the end user uses the service for free and advertisers are the ones who pay you. |
| Have these assumptions been tested? | Yes / No If Yes, please provide a detailed description, examples and references from users: |
| Are financial projections available? | Yes / No If Yes, please attach. If No you will need to develop these with the help of BADIR management |
| What is your anticipated time to break-even? | |

| | COMPANY BOARD |
|--------------------------------|--|
| Is an operation board in place | Yes / No If yes, please list your Board Include qualifications and experience: Does the company board meet regularly? Yes / No If yes: <ul style="list-style-type: none"> • List frequency of meetings • What reports are provided to the board? (provide examples e.g.: status reports, financial statements (e.g. income statement, balance sheet)) |

| | MANAGEMENT TEAM |
|---|---|
| Please list your management team | Include qualifications and experience and complete Schedule 1 |
| Have you managed businesses previously? | Yes / No If Yes, please provide details (business name, brief history) |
| Do you have Advisers to your current business? | Yes / No If Yes, please describe and provide details of experience |
| | TECHNICAL TEAM |
| Please list your technical team | Include qualifications and experience |

| | RISK ANALYSIS |
|---|--|
| Have you undertaken a Risk analysis process? | <p>Yes / No</p> <p>If Yes, please list (e.g.: managerial, technical, financial, market, product, development, sovereign risk)</p> <ul style="list-style-type: none"> • What are your identified risks? • What strategies have been identified to manage risks? <p>Please provide a template for risk matrix – issue – ranking (high / medium/ low)</p> |

| | INVESTMENT PROPOSAL |
|---|--|
| What do you require to get you to the next level? | For example, legal services, accounting services, etc. Please be specific. |
| How much capital has been invested in your company to date? | Include copy of Share Register if available |
| How was this capital used? | E.g.: Wages & salaries, insurance, product development, marketing, infrastructure (computers, tools, etc), rent and other overheads, vehicles. Please attach financial statements and a balance sheet if you have them. |
| Do you have a plan to raise further capital? | <p>Yes / No</p> <p>If Yes do you have a preferred mechanism for raising capital?</p> <p><input type="checkbox"/> Debt finance</p> <p><input type="checkbox"/> With interest, or</p> <p><input type="checkbox"/> With a royalty on gross sales</p> <p><input type="checkbox"/> Equity?</p> <p><input type="checkbox"/> Family and friends</p> <p><input type="checkbox"/> Other (please describe)</p> <p>If Yes:</p> <ul style="list-style-type: none"> • How much investment is required? • When do you require any additional funding? For example, at what stage does your planned business development strategy require funding? • Do you prefer a single investor / combination of investors?" • How many rounds of investment are planned?" (please describe) • How will investment funds be utilized? |
| What is your average cash utilization rate per month? | |

| | EXIT STRATEGIES |
|--|--|
| Do you have an exit strategy for the business? | <input type="checkbox"/> Yes / No <input type="checkbox"/> If yes please select one: <input type="checkbox"/> Trade sale <input type="checkbox"/> IPO <input type="checkbox"/> Redemption <input type="checkbox"/> Don't know |
| When do you anticipate investors would exit? | |

| | GENERAL |
|--------------------------------|---|
| How did you hear about BADIR ? | <input type="checkbox"/> Web search (which engine) <input type="checkbox"/> Referral (by who) <input type="checkbox"/> Newspapers (which one) <input type="checkbox"/> Networking events (which one) <input type="checkbox"/> Other (please indicate) |

Schedule 1: Current and Planned Organisation and Management Structure

Please fill in the table below, and forward CV's of current Directors and staff:

| STAFF NAME | ROLE | CURRENTLY IN THE BUSINESS? | FULL TIME /PART TIME? | QUALIFICATIONS | EXPERIENCE | SALARY EXPECTATION |
|------------|------|----------------------------|-----------------------|----------------|------------|--------------------|
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |



Annex 3 (I): Nursery
Entrepreneurs Agreement
TRECSTEP

AGREEMENT TO BE EXECUTED BY THE STEP WITH THE ENTREPRENEUR

This Agreement made at _____ on the _____ day of _____ One thousand Nine Hundred and _____ between TIRUCHIRAPPALLI REGIONAL ENGINEERING COLLEGE-SCIENCE AND TECHNOLOGY ENTREPRENEURS PARK, a Society registered under the Tamil Nadu Societies Registration Act 27 of 1975, and having its registered office at Tiruchirappalli hereinafter referred to as “the Society” which expression, unless repugnant to the context thereof, shall include its Successors, Administrators and assigns.

AND

Shri./Smt. _____ Son of _____
_____ age _____ years, residing
at _____
_____ hereinafter referred to as
“the Entrepreneur”, which expression shall, unless repugnant to the context thereof, shall include his Heirs, Legal Representatives and assigns.

WHEREAS the Society has been incorporated with the main object to encourage entrepreneurship amongst the Science and Technology Graduates with the sole idea to strengthen technology base of industries. For that purpose the Society offers assistance to the prospective entrepreneurs by way of rendering the use of common facilities and other amenities available with the Society, for a limited period. The Society is seized and possessed of, and/or made arrangements with other institutions to provide the facilities such as Library, Laboratory, etc., (hereinafter referred to as the said “Common facilities”), more particularly described in the First Schedule hereunder written. The common use of which can be offered by the Society to the prospective Entrepreneurs during the limited period as may be required by the Entrepreneurs to develop their respective projects. For the same purpose the Society is absolutely seized and possessed of various structure/s consisting of Nursery Sheds situated at TREC-STEP Complex (hereinafter referred to as the “Nursery Shed”) more particularly described in the Second Schedule hereunder written.

AND WHEREAS the Entrepreneur has requested the Society to extend all possible assistance to enable himself to develop and produce Hi-tech and Innovative Product namely _____
_____ (hereinafter referred to as “the Project”) more particularly described in the Third Schedule hereunder written. For the said project the Entrepreneur intends to use the common facilities as made available by the Society, and accommodation similar to the said nursery shed possessed by the Society for his project for a limited period of 3 (three) years. For that purpose the Entrepreneur has approached the Society with a request to make available to him the said common facilities and the said Nursery Shed for developing his project, for a period of 3 (three) years.

AND WHEREAS the Society having considered the said request of the Entrepreneur has agreed to allow the Entrepreneur to use the said common facilities available with the Society and the nursery shed more particularly described in the Second Schedule hereunder written.

AND IT IS HEREBY AGREED BETWEEN THE SOCIETY AND THE ENTREPRENEUR AS UNDER:

- I. The Society hereby agrees to allow the Entrepreneur to use the said common facilities available with it for the specific purpose of enabling the Entrepreneur to develop his product during the period of completion of his project which involves Design, Development, Prototype Manufacture and Lab Testing of Prototypes or till the expiry of period of 3 years from the date of this Agreement whichever is earlier.
- II. During the currency of the Agreement the Society hereby agrees to allow the Entrepreneur to occupy and use the said Nursery Shed solely for the purpose of developing his product under the said project and not otherwise.
- III. The Society further agrees that during the currency of this Agreement the Society will allow the entrepreneur free access to the common facilities available with the Society subject to usual restrictions regarding working Office Hours, Holidays etc. and to render him all the possible assistance in order to enable the Entrepreneur to develop the said project.
- IV. In consideration of the Society allowing the Entrepreneur to use the said facilities and also the said Nursery Shed, the Entrepreneur hereby agrees that during the currency of the agreement he will pay to the Society a sum of Rs.1500\ -per month by way of monthly license fee and further agrees to pay a license fee 3 times the normal license fee for the overstaying period for the use of the Nursery Shed and shall avail the use of the said common facilities at the rates to be prescribed by the Society from time to time towards the additional license fee for use of other services/ assistance/other facilities such as Common Lighting, Maintenance of Approach/surrounding roads, Garden Upkeep, Common Security, etc., rendered by the Society to the Entrepreneur during the currency of this Agreement.
- V. The license fee for the compensation payable by the Entrepreneur to the Society is payable by Cheque in advance on or before 30th (or) last working day of each month.
- VI. The Entrepreneur further agrees that upon the completion of his project/commencement of commercial production of the product developed by him under the said project, he shall pay to the Society 'the Royalty (i.e.) ½% on turnover (or) equivalent lump sum in respect of the project on such terms and conditions as may be mutually agreed by and between the Society and the Entrepreneur. The Entrepreneur further agrees that in case of disagreement or dispute between the Society and the Entrepreneur pertaining to such terms and conditions regarding the Royalty, the decision of the Governing Body of the Society shall be final.

VII. The product/technology developed by the Entrepreneur with the assistance of Society shall not be made available in any form/name to anyone else without the Society's prior written approval. In respect of the same the Entrepreneur shall pay to the Society any fees as may be stipulated/required by the Society for according its approval for doing so.

VIII. During the currency of this Agreement the Entrepreneur shall pay all charges for consumption of Water, Electricity and Power in accordance with the bills prepared by the authorities and if any of these connections are cut-off by such authorities for any default on the part of the Entrepreneur, the charges for the restoration of such services will be borne by the Entrepreneur.

IX. The Entrepreneur agrees and undertakes not to enter into any other contract or agreement between him and any other management till this Agreement is in force. The Entrepreneur further confirms that prior to the date of execution of this Agreement; he has already disengaged from any prior contracts if any.

X. The Entrepreneur hereby agrees that he will be using the said nursery shed and the common facilities covered under this Agreement only in his capacity as a Licensee during the pleasure and sweet will of the Society and that the Society or its authorized agent, official will be having a right to have unobstructed access to the Nursery Shed for the purpose of verifying that the Entrepreneurs' project is being conducted properly as also to verify that no term or condition of this Agreement is being/has been violated by the Entrepreneur.

XI. The Entrepreneur will not sub-let, assign or otherwise part with the possession of the whole or part of the premises without the previous consent in writing of the Society.

XII. The Entrepreneur will keep the premises in good order and condition; reasonable wear and tear and damage due to earthquake and such other calamities over which entrepreneur has no control, excepted.

XIII. The Entrepreneur will not remove any fixtures, fittings, electric light and power and water connections attached to the said premises.

XIV. The Entrepreneur agrees to permit the Society or its agents, workmen or surveyors, etc., to enter into the nursery shed at any time for the purpose of either viewing the condition or for doing such works as may be necessary for carrying out the repairs, alterations or improvements and shall provide all necessary assistance to carry out the same.

XV. The Entrepreneur agrees to make good any damage to the properties of the Society or its agents, that may arise due to any acts of the entrepreneur.

XVI. The Entrepreneur shall abide by and follow the terms and conditions of the Society as stipulated from time to time.

XVII. The Society is not responsible for any accident or damage arising out of and in the course of the product development by the Entrepreneur and he shall make necessary provision for meeting the unforeseen circumstances.

XVIII. All the facilities and assistance offered by the Society through this Agreement will be made available subject to the satisfactory performance of the Entrepreneur as judged from time to time by the Society and are liable to be terminated by the Society through the decision of its Governing Body if the performance is considered not satisfactory.

XIX. The Society and the Entrepreneur hereby agree that the period of this Agreement shall be 3years on such terms and conditions as the Society may deem and consider as fit and proper.

XX. In case the Entrepreneur desires to terminate the Agreement before the expiry of the stipulated period, the Entrepreneur can do so by giving three months prior notice to the Society.

XXI. At the termination of the tenancy, the Entrepreneur will restore the premises to the Society in its original condition along with the Society's fittings and fixtures as per inventory at Fourth Schedule hereunder written. Damages and breakages, if any at the time of vacation will be payable by the Entrepreneur and decision of the Society in this regard will be final and binding.

XXII. For any breach of the covenants on the part of the Entrepreneur including the monthly compensation, etc., payable falling in arrears for two months or more the Society will be entitled to terminate this Agreement by giving 3 (three) months prior notice to the Entrepreneur.

XXIII. In case the Entrepreneur fails to vacate or avoid to deliver to the Society the said premises on the expiry of the period of this Agreement or on termination of this Agreement, or upon the completion of the Entrepreneurs' said project whichever is earlier, the Society shall be entitled to take possession of the same by removing the Entrepreneur and his article found in the said premises in such manner as may be deemed fit and proper by the Society. In any case the expenses if any incurred by the Society for removing the Entrepreneur from the said premises under such circumstances will be fully recoverable from the entrepreneur.

XXIV. The Society and the Entrepreneur hereby agree that this Agreement is subject to the approval of the Board of Governors of the Society and further agrees to make necessary amendments as suggested by the Board of Governors.

FIRST SCHEDULE

(Description of Common Facilities such as Library, Laboratories, Computer Terminals, Central Facilities, etc.)

Library/Laboratory facilities at NITT – formerly RECT

Computer facilities at NITT – formerly RECT

SECOND SCHEDULE

(Description of Nursery Shed/Work Spot)
'A' Type Nursery Shed (Area: 228.2 Sq. Mtrs.)
'B' Type Nursery Shed (Area: 136.2 Sq. Mtrs.)
Central Workshop/Tool Room/Testing facilities at TREC-STEP

THIRD SCHEDULE

(Description of Project of Entrepreneur)
to be filled by the Entrepreneur

FOURTH SCHEDULE

(Inventory of the Society's fittings and fixtures in the Nursery Shed/Work Spot)
Civil Building with a plinth area of 136 Sq. Mtrs. With glass paneled doors and windows.
Power supply connections with points for lighting
Power Supply Main Switch with fuse
Power Supply Energy Meter
Water \ Sewage pipe connections with taps

IN WITNESS WHEREOF THE PARTIES HAVE EXECUTED THIS AGREEMENT ON THE DATE, MONTH AND YEAR FIRST ABOVE WRITTEN

(1)

(2)

SIGNED AND DELIVERED

By the within named
Society by the hand of

Authorized Official of STEP

SIGNED AND DELIVERED

By the within named
Entrepreneur _____

Annex 3 (II): Example of Incubator House Rules⁵⁰

1. Client shall not make any room-to-room canvas to solicit business from other clients in the Building and shall not exhibit, sell or offer to sell, use, rent or exchange any item or services in or from the Premises unless ordinarily included within Client's use of the Premises as specified in the Lease.
2. Client shall not make any use of the Premises which may be dangerous to person or property or which shall increase the cost of insurance or require additional insurance coverage.
3. Client shall not paint, display, inscribe or affix any sign, picture, advertisement, notice, lettering or direction or install any lights on any part of the outside or inside of the Building, and then not on any part of the inside of the Premises which can be seen from outside the Premises, except as approved by Landlord in writing.
4. Client shall not use the name, logo, trademark or pictures of the Building in advertising or other publicity, without Landlord's prior approval.
5. Client shall not obstruct or place objects on or in sidewalks, entrances, passages, courts, corridors, vestibules, halls, elevators and stairways in and about the Building.
6. Client shall not place objects against glass partitions or doors or windows or adjacent to any open common space which would be unsightly from the Building corridors or from the exterior of the Building.
7. Bicycles shall not be permitted in the Building other than in locations designated by Landlord.
8. Other than seeing-eye dogs and animals used for experimental or research purposes, Client shall not allow any animals in the Premises or the Building.
9. Client shall not disturb other clients or make excessive noises, cause disturbances, create excessive vibrations, odors or noxious fumes or use or operate any electrical or electronic devices or other devices that emit excessive sound waves or are dangerous to other clients of the Building or that would interfere with the operation of any device or equipment or radio or television broadcasting or reception from or within the Building or elsewhere, and shall not place or install any projections, antennae, aerials or similar devices outside of the Building or the Premises.
10. Client shall not waste electricity or water and shall cooperate fully with Landlord to assure the most effective operation of the Building's heating and air conditioning and shall refrain from attempting to adjust any controls except for the thermostats within the Premises. Client shall keep all doors to the Premises closed.

⁵⁰ Source: Incubator Client Handbook, University Technology Park at IIT (2007)

11. Landlord shall furnish two sets of keys and access cards for all doors to the Premises at the commencement of the Term. When the Lease is terminated, Client shall return all keys and access cards to Landlord and will provide to Landlord the means of opening any safes, cabinets or vaults left in the Premises.

12. Except as otherwise provided in the Lease, Client shall not install any signal, communication, alarm or other utility or service system or equipment without the prior written consent of Landlord.

13. Client shall not use any draperies or other window coverings instead of or in addition to the Building standard window coverings designated and approved by Landlord for exclusive use throughout the Building.

14. Landlord may require that all persons who enter or leave the Building identify themselves to security personnel, by registration or otherwise. Landlord, however, shall have no responsibility or liability for any theft, robbery or other crime in the Building. Client shall assume full responsibility for protecting the Premises, including keeping all doors to the Premises locked after the close of business.

15. Client shall not overload floors; and Client shall obtain Landlord's prior written approval as to size, maximum weight, routing and location of business machines, safes, and heavy objects. Client shall not install or operate machinery or any mechanical devices of a nature not directly related to Client's ordinary use of the Premises.

16. In no event shall Client bring into the Building flammables such as gasoline, kerosene, naphtha and benzene, or explosives or firearms or any other articles of an intrinsically dangerous nature.

17. Furniture, equipment and other large articles may be brought into the Building only at the time and in the manner designated by Landlord. Client shall furnish Landlord with a list of furniture, equipment and other large articles which are to be removed from the Building, and Landlord may require permits before allowing anything to be moved in or out of the Building. Movements of Client's property into or out of the Building and within the Building are entirely at the risk and responsibility of Client.

18. No person or contractor, unless approved in advance by Landlord, shall be employed to do janitorial work, interior window washing, cleaning, decorating or similar services in the Premises.

19. Client shall not use the Premises for lodging, cooking (except for microwave reheating and coffee makers) or manufacturing or selling any alcoholic beverages or for any illegal purposes.

20. Client shall comply with all safety, fire protection and evacuation procedures and regulations established by Landlord or any governmental agency.

21. Client shall cooperate and participate in all reasonable security programs affecting the Building.

22. Client shall not loiter, eat, drink, sit or lie in the lobby or other public areas in the Building. Client shall not go onto the roof of the Building or any other non-public areas of the Building (except the Premises), and Landlord reserves all rights to control the public and non-public areas of the Building. In no event shall Client have access to any electrical, telephone, plumbing or other mechanical closets without Landlord's prior written consent.

23. Client shall not use the freight or passenger elevators, loading docks or receiving areas of the Building except in accordance with regulations for their use established by Landlord.

24. Client shall not dispose of any foreign substances in the toilets, urinals, sinks or other washroom facilities, nor shall Client permit such items to be used other than for their intended purposes; and Client shall be liable for all damage as a result of a violation of this rule.

25. Client shall not smoke nor permit its employees, guests, invitees or others to smoke in non-smoking areas of the Building.



Annex 4: Terms of Reference for the Maputo Business Incubator Manager



República de Moçambique
Ministério da Ciência e Tecnologia
Mozambique eGovernment and Communications Infrastructure Project (MEGCIP)

TERMS OF REFERENCE FOR THE MAPUTO BUSINESS INCUBATOR MANAGER

CONTEXT

The Ministry of Science and Technology, together with Ministry of Transport and communication, is in the process of initiating the implementation of the World Bank funded Mozambique eGovernment and Communication Infrastructure Project (MEGCIP), which intends to support the Government of Mozambique in the implementation of key priority initiatives in the area of ICT.

One of the activities under the project is the establishment of a business incubator in Maputo to support 35 companies with high growth potential. Business incubation lowers the cost of business and increases business survival rates through: access to shared resources and building infrastructure; access to finance and markets through credible support, guidance and business management; targeted mentoring and coaching, and networking opportunities to access markets.

This initiative is being led by the Ministry of Science and Technology, in collaboration with private sector companies, universities, and other development partners namely the World Bank, IFC and *infoDev*.⁵¹

OBJECTIVE AND SCOPE

The main objective of the position of the Incubator Manager is to lead and manage the establishment and growth of the Maputo Business Incubator, as a self sustaining organization and provide services

⁵¹ *infoDev*, the Information for Development Program, is located within the World Bank and has supported innovation and entrepreneurship through business incubation since 2002. Over 80 incubators have been supported across the developing world.

for new and growing Mozambique businesses. This is a challenging position that requires an entrepreneurial approach and a commitment for helping new and emerging businesses in Maputo. Nonetheless, with good funding to establish the incubator, the position offers exciting long-term prospects and growth for the right person. Key responsibilities will include:

Essential Duties and Responsibilities:

1. Development of the initial business plan of the business incubator based on a sustainable business model and stated objectives of the incubator and continual development of the strategy for the incubator.
2. Leadership in the implementation of the incubator including the appointment and management of a small staff complement; financial oversight; operations oversight etc.
3. Management of good incubation practices including the processes for selecting clients; growing client companies; accessing financing; networking and graduating clients.
4. Building and managing strategic stakeholder relationships including the raising of additional funds and representation of the incubator to the media, speaking engagements etc.
5. Working with the Maputo Business Incubator Board to meet the strategic objectives as defined by the Board and funders and being accountable for good governance practices.

REQUIRED QUALIFICATIONS, KNOWLEDGE AND EXPERIENCE

The ideal candidate will have the following knowledge, skills and experience:

- A business degree (B.Comm and/or MBA) from a recognized educational institution.
- Demonstrated understanding of issues relating to entrepreneurship. It will be an advantage for the candidate to have been involved in the management of a business incubator or SME support organisation.
- Entrepreneurial experience in having successfully started and/or run a business
- At least 10 years of middle to senior management experience either in a small, medium or large business. A proven track record of general management must be evident in the career of the candidate, including:
 - Strategic management including demonstration of substantial responsibility for strategic direction setting and implementation.
 - Evidence of business growth resulting from managerial activities.
 - Human resource management (including career development; mentoring and coaching experience).
 - Financial management.
 - Operational management.
- Proven leadership skill and ability to motivate and lead teams and engender trust.

- Evidence of networking ability. It will be an advantage for the candidate to have established networks with the business community in Maputo.
- Fluency in English with the ability to speak, read and write in Portuguese being an advantage.

The ideal candidate will be able to demonstrate the following personal attributes:

- Motivated, highly energetic and self-starter
- Commercially minded with an entrepreneurial approach
- Innovative problem solver with tenacity to find solutions under trying conditions
- Visionary with both flexibility and “out-of-the-box” thinking
- Determination and tenacity to follow an issue through to resolution
- Confident, self sufficient and results orientated
- Sincere, trustworthy and capable of networking and building relationships with people
- Articulate negotiator with excellent communication skills with individuals and groups.
- Excellent interpersonal skills

DURATION OF CONTRACT

The post requires a full time resource based in Maputo with occasional travel in and outside Mozambique. The contract period will be for three years with the possibility to extend this contract for a further two years. A probation period will be required to assess suitability.

Remuneration will be negotiated against qualifications and experience and will be market related. The structure of the package will consist of a basic salary and an annual performance bonus based on the performance of the incubator against targets.

The starting date will be 1st April 2010 or before.

Interested applicants can forward a covering letter titled “MEGCIP Maputo Business Incubator Manager”, motivating their suitability for the position, along with their resume (in English and/or in Portuguese) to the address below, by 5th February 2010 at 15h30. Applications by post must be clearly marked “MEGCIP Maputo Business Incubator Manager”. Applications by e-mail will also be accepted.

Ministério da Ciência e Tecnologia

Avenida Patrice Lumumba n.º 770

Maputo - Moçambique

Telefone: (+258) 21 352800

Telefone: (+258) 21 352860/ 80

E-mail: secretariado@mct.gov.mz



Annex 5: Terms of Reference for the Maputo Business Incubator Deputy Manager



República de Moçambique
Ministério da Ciência e Tecnologia
Mozambique eGovernment and Communications Infrastructure Project (MEGCIP)

TERMS OF REFERENCE FOR THE MAPUTO BUSINESS INCUBATOR DEPUTY MANAGER

CONTEXT

The Ministry of Science and Technology, together with Ministry of Transport and Communication, is in the process of initiating the implementation of the World Bank funded Mozambique eGovernment and Communication Infrastructure Project (MEGCIP), which intends to support the Government of Mozambique in the implementation of key priority initiatives in the area of ICT.

One of the activities under the project is the establishment of a business incubator in Maputo to support 35 companies with high growth potential. Business incubation lowers the cost of business and increases business survival rates through: access to shared resources and building infrastructure; access to finance and markets through credible support, guidance and business management; targeted mentoring and coaching, and networking opportunities to access markets.

This initiative is being led by the Ministry of Science and Technology, in collaboration with private sector companies, universities, and other development partners namely the World Bank, IFC and *infoDev*.

OBJECTIVE

The main objective of the position of the Maputo Business Incubator Deputy Manager is to assist the Maputo Business Incubator Manager to establish and grow the incubator. This is a challenging position that requires an entrepreneurial approach and a commitment for helping new and emerging businesses in Maputo. The position offers exciting long-term prospects and growth for the right person.

Essential Duties and Responsibilities:

The essential duties and responsibilities listed below will be carried out in the context of providing support to the project and ensuring efficient management processes.

- Assisting the incubator manager to develop the initial business plan of the business incubator
- Implementing the annual business plan
- Assisting the incubator manager in applying good incubation practices including the processes for selecting clients, growing client companies; accessing financing, networking and graduating clients
- Assisting in the building and management of stakeholder relationships

REQUIRED QUALIFICATIONS, KNOWLEDGE AND EXPERIENCE

The ideal candidate will have the following knowledge, skills and experience:

- A university degree from a recognized educational institution. Preference will be given to candidates with a commercial degree.
- At least 5 years of management experience. A proven track record of general management must be evident in the career of the candidate, including:
 - Evidence of business growth resulting from managerial activities.
 - Human resource management
 - Financial management.
 - Operational management.
- Demonstrated understanding of issues relating to entrepreneurship. It will be an advantage for the candidate to have been involved in a start-up company, the management of a business incubator, and / or SME support organisation.
- Evidence of networking ability. It will be an advantage for the candidate to have established networks with the business community in Maputo.
- Fluency in English and the ability to read, speak and write Portuguese will be an advantage.

The ideal candidate will be able to demonstrate the following personal attributes:

- Motivated, highly energetic and driven personality
- Commercially minded with an entrepreneurial approach
- Innovative problem solver with tenacity to find solutions under trying conditions
- Determination and tenacity to follow an issue through to resolution
- Confident, self sufficient and results orientated
- Sincere, trustworthy and capable of networking and building relationships with people
- Good communication skills with individuals and groups
- An eagerness to learn

DURATION OF CONTRACT

The post requires a full time resource based in Maputo with occasional travel in and outside Mozambique. The contract period will be for three years with the possibility to extend this contract for a further two years. A probation period will be required to assess suitability.

Remuneration will be negotiated against qualifications and experience and will be market related. The structure of the package will be on a cost-to-company basis.

The starting date will be 1st April 2010 or before.

Interested applicants can forward a covering letter titled “MEGCIP Maputo Business Incubator Deputy Manager”, motivating their suitability for the position, along with their resume (in English and/or in Portuguese) to the address below, by 5th February 2010 at 15h30. Applications by post must be clearly marked “MEGCIP Maputo Business Incubator Deputy Manager”. Applications by e-mail will also be accepted.

Ministério da Ciência e Tecnologia

Avenida Patrice Lumumba n.º 770

Maputo - Moçambique

Telefone: (+258) 21 352800

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E-mail: secretariado@mct.gov.mz



Annex 6: Job Description for Key Incubator Management Positions

The EBN Vademecum⁵³ provides the following sample job descriptions for managers of B.I.C. incubators across Europe. Clearly they are intended as a reference only and should be adapted to the specific needs of each region.

B. TRAINING EXECUTIVE

B.1. BASIC FUNCTION

- Ensures that each entrepreneur or entrepreneurial team selected can acquire the necessary planning and management skills within a short period of time.
- To this end, he carries out tasks inherent to training, and takes responsibility for these.

B.2. DETAILED JOB DESCRIPTION

- Draws up a training program for each entrepreneur tailored to his needs.
- Seeks and selects the most appropriate self-training courses.
- Keeps an up-to-date inventory of all training courses in the region likely to be of interest to and to suit entrepreneurs.
- Maintains good contacts with the organizations providing these courses.
- Keeps abreast of developments in training techniques so as to ensure entrepreneurs benefit from progress in this field.
- Devises and organizes, where necessary, training courses within the B.I.C. To this end, seeks out qualified organizers and negotiates the terms of their assistance.
- Organizes a library of books and courses to meet additional training needs of entrepreneurs, and negotiates, where possible, to obtain access for the latter to existing libraries.
- Organizes conferences and debates on subjects of general or specific interest to SME managers.
- Plans training activities.
- Ensures, and participates in, adequate promotion of training courses and conferences organized by the B.I.C.
- Manages the training budget.
- Assesses training efficiency and its financial profitability.
- Adapts program on the basis of evaluations.
- Maintains close contacts with training executives in other B.I.C.s

⁵³ Source: EBN Vademecum 1996

B.3. POSSIBLE ADDITIONAL TASKS

As mentioned above, the training executive will not necessarily work full-time in this area.

It is desirable that he also take part in one or more of the following fields:

- Promotion
- Assessment/selection;
- Business planning consultancy.

B.4. HIERARCHIC RELATIONSHIP

Reports to the General Manager.

- Basic training and experience:
- At least 5 years' experience in company management and training is required; basic training not very important.

B5. PERSONAL PROFILE

- Personal aptitudes :
 - Organizational and training skills are the main aptitudes required.
- Languages:
 - In addition to the language of the region, fluency in English (and/or French) is essential.

C. TECHNOLOGY MANAGER

C.1. BASIC FUNCTION

- Assumes the tasks and responsibilities inherent in the “innovation and technical assistance” provided by the B.I.C.
- Ensures that the handicaps in the area of technology and innovation specific to entrepreneurs in the SME sector are effectively made good by the activity of the B.I.C.

C.2. DETAILED JOB DESCRIPTION

- Assists his colleagues in the technical assessment of entrepreneurs' projects.
- Constitutes a technological “talent-pool” within the region and directs prospective entrepreneurs towards members of this pool.
- Maintains a permanent inventory of all private, institutional and public bodies likely, to provide support to innovation and technological developments and maintains ongoing contact with them. When necessary, puts entrepreneurs into contact with these and intervenes as advisor in any negotiations between them.
- Organizes the systematic detection of as yet unexploited ideas, products, and technologies, in universities, polytechnics, research centers and enterprises in his region

- Maintains a permanent inventory of useful technological data-banks and organizes access by entrepreneurs.
- Maintains a permanent inventory of public aid and subsidies available to support technological development and prototyping and assists entrepreneurs in obtaining them.
- Assists entrepreneurs with technology transfer and negotiating licensing agreements.
- Assists entrepreneurs in obtaining legal protection for their technological specialties, putting them in contact with competent legal advisors and/or specialist bureau.
- Keeps up with the general development of technology by visiting fairs and exhibitions in this area and by reading appropriate publications.
- Maintains permanent contact with Technology managers in other B. I. C.s

C.3. POSSIBLE ADDITIONAL TASKS

As explained above, the Technology Manager will not necessarily work full time in this area. It is desirable that he should also work in one or more of the following areas:

- Promotional/Detection
- Assessment/Selection
- Business planning consulting

C.4. HIERARCHIC RELATIONSHIP

Reports to the General Manager

C.5. PERSONAL PROFILE

- Basic training and experience:
 - A basic technical and scientific training is essential. The candidate should have acquired a multi-faceted approach to these areas. Good basic knowledge of management (in particular marketing) is essential. At least 5 years' experience working in an enterprise is required.
- Personal aptitudes:
 - A high degree of technical and scientific curiosity and considerable intuition are necessary, as are also realism, and a sense of business.
- Languages:
 - In addition to the language of the region, fluency in English (and/or French) is essential.

D. FINANCIAL MANAGEMENT EXECUTIVE

D.1. BASIC FUNCTION

Advises and assists entrepreneurs and his colleagues in accounting, financial planning and financial management. Searches for optimal financing solutions for projects and, to this end, assists the General Manager in obtaining risk capital. Assumes the financial management of the B.I.C.

D.2. DETAILED JOB DESCRIPTION

Ensures that the B.I.C. has sufficient and adequate financial planning and management software and helps entrepreneurs in using this.

- Maintains a permanent inventory of possible sources of finance for entrepreneurs (“seed-capital”, “venture capital”, investments and short and medium-term operating credit).
- Maintains ongoing relations with bodies providing financing and aid subsidies in order to create a favorable atmosphere for B.I.C.-supported entrepreneurs and to facilitate the materialization of their wishes.
- Assists entrepreneurs in negotiating with providers of funds and aid subsidies.
- Provides financial supervision of new SMEs and of diversification after the start-up stage.
- Assists the General Manager in resolving the problems of financing the B.I.C., in particular via public-sector subsidies.
- Organizes and supervises the general and analytical accounting of the B.I.C., manages the cash situation.
- Participates in preparing budgets.
- Provides the General Managers with all information necessary to ensure budget control.
- Maintains his ongoing relationships with Financial Managers from other B.I.C.s

D.3. POSSIBLE ADDITIONAL TASKS

As explained above, the Financial Manager may not necessarily work full time in this area. It is desirable that he should also work in one or more of the following areas:

- Promotion/Detection
- Assessment/Selection
- Business Planning consulting

D.4. HIERARCHIC RELATIONSHIP

Reports to the General Manager of the B.I.C.

D.5. PERSONAL PROFILE

- Basic training and experience:
 - A good basic financial training, and at least 10 years’ practical experience of financial management in companies, are essential. Experience in banking is a valuable complement.
- Personal aptitudes:
 - A good analytical mind and confined negotiating skills are the main qualities required.
- Languages:
 - In addition to the language of the region, fluency in English (and/or French) is essential.

E. ACCOMMODATION AND COMMON LOGISTICS SERVICES MANAGER (B.I.C. WITH ENTERPRISE ACCOMMODATION FACILITIES)**E.1. BASIC FUNCTION**

Assumes the tasks and responsibilities inherent in the “accommodation” and common-services” function of the B.I.C.

- Supervises all the administrative and logistic functions of the B.I.C.

E.2. DETAILED JOB DESCRIPTION

- Ensures that suitable common premises and services are made available to prospective entrepreneurs and SMEs eligible for B.I.C. services.
- Assumes the administrative and data-processing management of the B .I. C.
- Organizes, directs and supervises management of enterprise accommodation facilities and common services.
- Takes responsibility for leasing contracts and for the use of common services, the application of suitable Internal Regulations and all the administrative and accounting procedures linked to the management of the building and common services.
- Recruits and manages common lower grade and auxiliary personnel.
- Negotiates and supervises, where appropriate, the sub-contracting of logistics services.
- Negotiates acquisitions of common equipment and ensures their rational use and maintenance.
- Assists SMEs not wishing to set up in the common building, or having to find premises outside, in looking for premises and negotiating lease contracts.
- Assists the General Manager in all B.I.C. promotional activities taking place inside the B.I.C. premises (exhibitions, open days, conferences and so on).
- Contributes actively to developing a good atmosphere between SMEs who have set up shop in the “enterprise hotel” by setting up a tenant/SME manager’s club and organizing joint activities for them.
- Maintains ongoing relationships with logistic managers from other B.I.C.

E.3. HIERARCHIC RELATIONSHIP

Reports to the General Manager of the B.I.C.

E.4 PERSONAL PROFILE

- Training and experience:
 - The basic training is of little importance, providing the candidate has good administrative skills. At least 10 years’ experience in organizing and managing logistic services is highly desirable.

- Personal aptitudes:
 - A sense of organization, the ability to obtain a high yield from subordinates in a good working atmosphere, firmness along with a good measure of diplomacy and a high degree of availability are the main qualities required.
- Languages:
 - In addition to the language of the region, fluency in English (and/or French) is essential.

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