



01 Business Incubation Definitions and Principles



Trainee Manual



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Introduction to the Training Program

INTRODUCTION TO THE TRAINING PROGRAM

This is the trainee manual for Module 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.

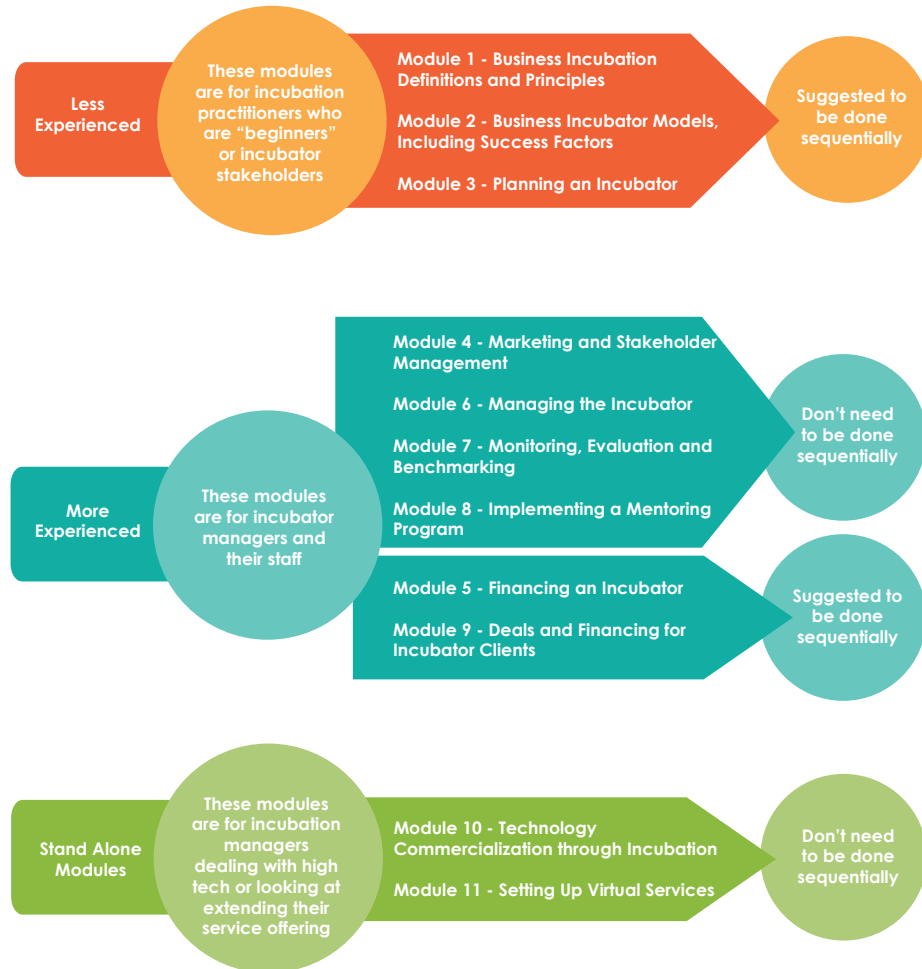


Figure 1 – Module Selection and Sequence



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Module Index

INTRODUCTION TO THE TRAINING PROGRAM	3
ACKNOWLEDGEMENTS	11
MODULE INDEX	15
TABLES AND FIGURES	18
MODULE OBJECTIVES	19
INTRODUCTION TO THIS MODULE	23
COMPONENT 1: AN INTRODUCTION TO BUSINESS INCUBATION	27
COMPONENT INDEX	29
COMPONENT OBJECTIVES	29
SECTION 1.1: BUSINESS INCUBATION OVERVIEW AND HISTORY	30
SECTION 1.2: BUSINESS INCUBATION KEY TERMS	52
COMPONENT CONCLUSIONS	57
COMPONENT 2: PRINCIPLES AND GOOD PRACTICES OF BUSINESS INCUBATION	59
COMPONENT INDEX	61
COMPONENT OBJECTIVES	61
SECTION 2.1: PRINCIPLES AND ELEMENTS OF BUSINESS INCUBATION	62
SECTION 2.2: GOOD BUSINESS INCUBATION PRACTICES	73
COMPONENT CONCLUSIONS	77
CASE STUDIES	79
OFFERING A WIDE VARIETY OF SERVICES IN BUSINESS INCUBATION	81
CREATING AN ENABLED ENVIRONMENT	85
GOOD PRACTICES	89
INTEGRATED INCUBATION	94
BIBLIOGRAPHY	99

TABLES AND FIGURES

TABLE 1 - INTERMEDIARY VEHICLES FOR INNOVATIVE ENTERPRISE DEVELOPMENT	32
TABLE 2 - <i>infoDev</i> GRANTEES CLIENT SUCCESS STORIES	48
TABLE 3 - THREE GENERATIONS OF INCUBATORS	50
FIGURE 1 - MODULE SELECTION AND SEQUENCE	9
FIGURE 2 - THE GLOBAL INCUBATION COMMUNITY	30
FIGURE 3 - ENTERPRISE DEVELOPMENT STAGES	33
FIGURE 4 - THE FOUR COMPONENTS OF BUSINESS INCUBATION	33
FIGURE 5 - <i>infoDev</i> 'S GRANTEES' SERVICE PROVISION	35
FIGURE 6 - INCUBATOR SERVICES	37
FIGURE 7 - PROPORTION OF NEW JOBS CREATED BY <i>infoDev</i> GRANTEES PER BUSINESS SECTOR	41
FIGURE 8 - INCUBATOR CLIENTS: PERCENT OF GRADUATES RELOCATING VERSUS REMAINING	43
FIGURE 9 - PUBLIC INVESTMENT RETURNS	43
FIGURE 10 - PROPORTION OF NEW JOBS CREATED BY <i>infoDev</i> GRANTEES PER SOCIAL GROUP	44
FIGURE 11 - INCUBATOR VALUE DRIVEN BUSINESS GROWTH	47
FIGURE 12 - GEOGRAPHIC DISTRIBUTION OF INCUBATORS	48
FIGURE 13 - INCUBATOR BUSINESS MODELS	51
FIGURE 14 - THE INCUBATION PROCESS WITH ENTRY AND GRADUATION EMPHASIZED	66
FIGURE 15 - ESTABLISHING WORKING LINKAGES FOR INCUBATEES	68

Module Objectives

The objectives of this module are to provide an introduction to business incubation, introduce key definitions and present the main principles of business incubation. It is aimed at equipping current and future incubator managers with the knowledge, skills and understanding of the fundamentals of business incubation, in order to effectively foster and encourage businesses.

TRAINEE TRAINING OBJECTIVES

After completing this module, the trainee will have gained:

- An understanding of the basic definitions of business incubation;
- A knowledge of its history and rationale; and
- An understanding of principles and elements of business incubation, how incubators can provide an enabling environment, good business incubation practices, as well as how incubators develop.



Introduction to this Module

Given that the likelihood of an incubated firm's success is much higher than that of a non-incubated firm, around 87%² of firms are still in business after 4 years in comparison to 44%³ for non-incubated firms, incubators can have a significant impact on local communities. The increased success rates of incubated firms improve commercial and private real estate markets through the growth of their graduates. Graduated incubatees will build, purchase, or rent space when they move out of an incubator, providing new investment in the local market. The lending institutions are also able to lend with less risk as well, which provides stability in the marketplace. Therefore, the potential positive contribution an incubator is able to make to the local community strongly justifies the need for an effective incubator manager.

The first steps required to become an effective incubator manager include gaining an understanding of how business incubators have developed and creating an ability to communicate effectively within the business incubator community which requires an understanding of terminology widely used by the industry. By being aware of the evolution of business incubators and the industry accepted terminology, managers will gain a better understanding of the principles and good practices of business incubation with the expectation that they will be able to apply the principles and good practices that best support their clients' needs.

With this in mind, the first half of Module 1, Component 1, has been designed to provide an overview and a general history of business incubation. Additionally, the most commonly used terms in the incubator industry are presented along with their definitions.

The second half of Module 1, Component 2, addresses the principles, elements, practices and different development phases of incubators. The content provided in both components is enhanced by exercises and case studies.

² Source: Molnar, Lawrence A., Donald R. Grimes, Jack Edelstein, Rocco De Pietro, Hugh Sherman, Dinah Adkins and Lou Tornatzky (1997) - Business Incubation Works, NBIA Publications, Athens, Ohio

³ Source: U.S. Small Business Administration, "Frequently Asked Questions" - www.sba.gov/advo



Component 1:

An Introduction to Business Incubation

COMPONENT INDEX

- Section 1.1:** Business Incubation Overview and History
 - Section 1.1.1:** An Overview of Business Incubation
 - Section 1.1.2:** The Added Value of Business Incubation
 - Section 1.1.3:** The History of Business Incubation
- Section 1.2:** Business Incubation Key Terms

COMPONENT OBJECTIVES

This component is designed to educate the trainee on the evolution of business incubators, general principles of incubation and the terms every business incubator manager should be familiar with in order to effectively manage an incubator.

Upon completion of this component, trainees should have a general understanding of the concept of business incubation, how incubators have evolved and the most common terms used by the business incubation community.

Section 1.1: Business Incubation Overview and History

As stated in the introduction, it is important for incubator managers to have a good understanding of the role business incubators can have in the development and support of start-up companies. Incubator managers should also have a firm understanding of the incubator's potential to stimulate regional economies. These two aspects are extremely important. An incubator manager that understands the role and potential influence the business incubator can have will be in a better position to succeed.

Section 1.1.1: An Overview of Business Incubation

The 10th International Summit of Business Incubation Associations (held following the Global Forum on Business Incubation organized by *infoDev*, the World Bank and the Indian Government in New Delhi in October 2004) agreed on “a simple model of the global incubation community recognizing business incubation environments and processes” represented by Figure 2.

- A) The (wider) business incubation environment
- B) The business incubation process
- C) Business Incubator (a business incubation environment)

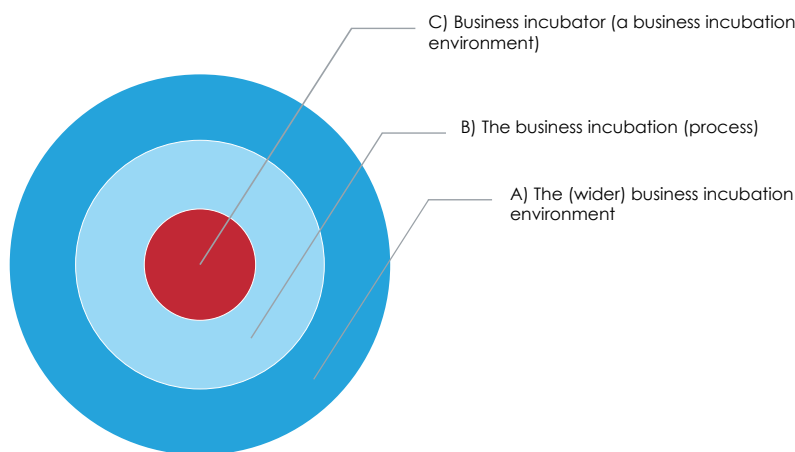


Figure 2 – The Global Incubation Community

The (wider) business incubation environment is the wider context which should be conducive to the sustainable development of enterprises and nurturing their growth.

Business incubation is a public and/or private, entrepreneurial, economic and social development process designed to nurture businesses from idea generation to start-up companies and, through a comprehensive business support program, help them establish and accelerate their growth and success.

The business incubator is a physical space or facility that accommodates a business incubation process.⁴

This definition is the simplest, most generic and inclusive one, the result of a long process of discussion between some 30 business incubation associations and should be considered as the reference even though some national business incubation associations, such as the National Business Incubation Association (NBIA) of the United States of America (US), may have their own business incubation definition, such as:

“Business incubators nurture the development of entrepreneurial companies, helping them survive and grow during the start-up period, when they are most vulnerable. Their programs provide client companies with business support services and resources tailored to young firms. The most common goals of incubation programs are creating jobs in a community, enhancing a community’s entrepreneurial climate, retaining businesses in a community, building or accelerating growth in a local industry and diversifying local economies.”⁵

infoDev acknowledges business incubation as a process aimed at supporting the development and scaling of growth-oriented, early-stage enterprises.⁶ The process provides entrepreneurs with an enabling environment at the start-up stage of enterprise development. This environment should help reduce the cost of launching the enterprise, increase the confidence and capacity of the entrepreneur, and link the entrepreneur to the resources required to start and scale a competitive enterprise. Entrepreneurs accepted into the business incubator stay until an agreed upon milestone is reached, often measured in terms of sales revenue or profitability. Business incubation is one of many tools aimed at fostering innovative enterprise creation and growth. Other complementary intermediaries exist, such as business development service providers and technology parks. Table 1 illustrates how business incubation is positioned in relation to these two complementary vehicles.⁷

⁴ Source: *infoDev* Business Incubation, Definitions and commonly used terms - www.idisc.net/en/DocumentArticle.38688.html

⁵ Source: National Business Incubation Association, Business Incubation FAQ - http://www.nbia.org/resource_library/faq/#1

⁶ Note: Although the tool can be used specifically to foster innovative enterprise development, it can also be successfully focused on creating competitive enterprises with high job-creation potential, regardless of whether or not the business concept is innovative.

⁷ Note: It should be noted that, in many instances, the distinction between these different tools is blurred; for example, a business incubator may offer business development services to non-incubatees to supplement its revenues; a technology park may include a business incubator to test new ideas, etc.

	BUSINESS DEVELOPMENT SERVICE PROVIDERS	BUSINESS INCUBATORS	TECHNOLOGY PARKS
TARGET ENTERPRISES	Any SME	Early-stage enterprises with high growth potential	Emerging and established technology businesses
KEY FEATURES	<ul style="list-style-type: none"> • Ad hoc, demand-driven assistance. • Focused on a particular issue for which the entrepreneur asks for assistance. • Usually broad business support, including training and advisory services. 	<ul style="list-style-type: none"> • Emphasis on co-location and the “cluster” effect between enterprises. • Ongoing supply and demand-driven assistance until an agreed upon performance milestone has been reached. • Integrated mix of intensive strategic and operational support focused on the enterprise in its entirety. 	<ul style="list-style-type: none"> • Emphasis on co-location and the “cluster” effect between enterprises. • Demand-driven assistance. • Emphasis on provision of state-of-the-art real estate, office space, and research facilities and networking opportunities.
REVENUE SOURCES	Government / donor subsidies, fee-for-service	Government/ donor subsidies, fee-for-service, rent, royalties, equity	Government/ donor subsidies, fee-for-service, rent, royalties, equity
BUSINESS MODEL	Non-profit or profit-making		

Table 1 - Intermediary Vehicles for Innovative Enterprise Development⁸

Business incubation is applicable at the “early-stage entrepreneurial activity” stage of enterprise development, as represented by Figure 3 developed by the Global Entrepreneurship Monitor (GEM). At this stage, the entrepreneur has transformed their idea into a business.

⁸ Source: M. A. Khalil, E. Olafsen, Enabling Innovative Entrepreneurship through Business Incubation - http://siteresources.worldbank.org/INFORMATIONANDCOMMUNICATIONANDTECHNOLOGIES/Resources/ChapterKhalil_Olafsen.pdf

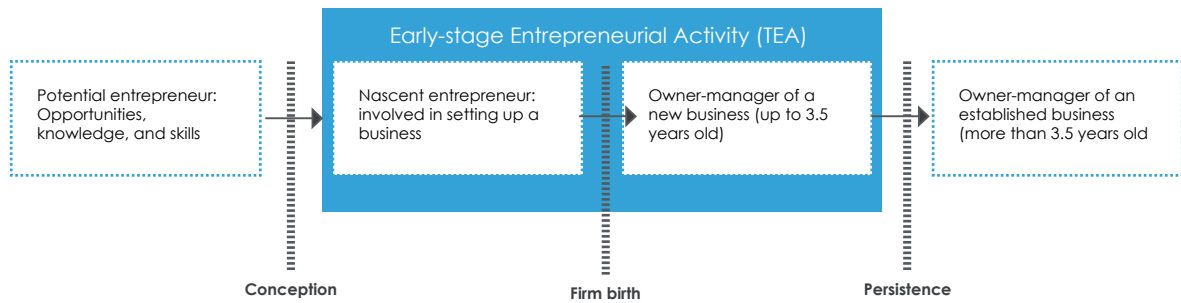


Figure 3 – Enterprise Development Stages⁹

Incubation is a continuous relationship between the incubator and the early-stage entrepreneur with graduation as the target and occurring when the early-stage company has reached sufficient maturity. Through the incubation process, the support provided by the incubator evolves along with the development needs of the business (e.g. the business has developed prototypes, pilot products, has started selling and so on).

In order to determine the needs of entrepreneurs, the incubator staff should listen to their clients and develop trusting relationships with them to provide them with the most appropriate services.



Business incubation has four basic components as shown in Figure 4.

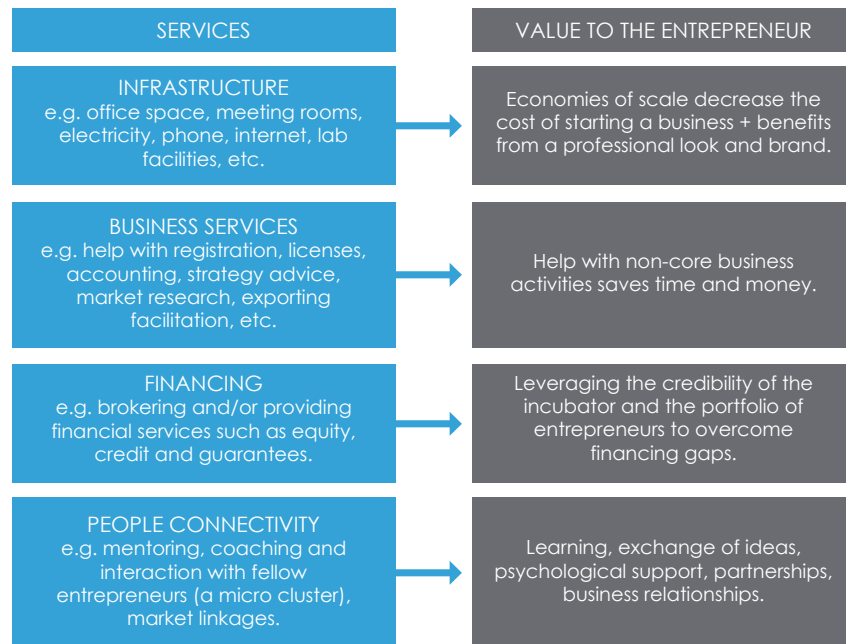


Figure 4 – The Four Components of Business Incubation

⁹ Idem

Incubators are different from business centers in that business centers only offer rental space, access to office equipment (computers, photocopiers, etc) and meeting rooms. Incubators, on the other hand, typically offer a full range of business support to their clients, helping them through the challenging formative years and allowing them to develop their businesses and focus on bringing products and services to market.

Keeping Figure 4 in mind, the most common forms of support include:

- Infrastructure, such as office space;
- Business services, such as administration and information services;
- Financing, such as providing the incubator’s client businesses with information and support that will allow them to access appropriate sources of finance; and
- “People Connectivity”, which includes mentoring and coaching services, and access to networks.

Infrastructure

Most incubators offer “easy in, easy out” conditions; monthly rental terms that allow flexibility for clients when joining or exiting. Some incubators, particularly sector specific incubators, offer technical facilities, such as laboratories and equipment that can be very helpful, especially to a technology based start-up company. This item is explored in depth in Module 3 of the training program, “Planning an Incubator.”

Business services

Incubators provide access to administration and communication services often at “pay as you use rates”, including services such as Internet, telecommunications, photocopy, fax, binding, reception, mail, document receipt and dispatch, and secretarial assistance. These support services help clients to concentrate on their core business rather than on the support infrastructure. Furthermore, the start-up companies do not need to make initial investments in expensive office equipment or front office personnel that can be provided by the incubator.

Incubators distribute a full tool kit of relevant business information to their clients. This information could include market data and market updates, forthcoming trade events, regulatory issues and administrative procedures, details of access to finance, both public (subsidies and government funds) and private (investors such as Business Angels), and access to other business support partners in the area. They assist in “opening the doors” to corporate markets using their own networks.

infoDev carried out a Monitoring, Evaluation and Impact Assessment Study¹⁰ (the “MEIA Study”), which chronicles the outcomes, impacts and lessons learned from *infoDev*’s Incubator Initiative and the work of its business incubation grantees more generally. In the context of this study, *infoDev* produced Figure 5, which presents an overview of the services provided by the incubators funded through *infoDev* grants.

¹⁰ Source: *infoDev* - Monitoring, Evaluation & Impact Assessment Study - <http://www.idisc.net/en/Page.MEIA.Study.Overview.html>

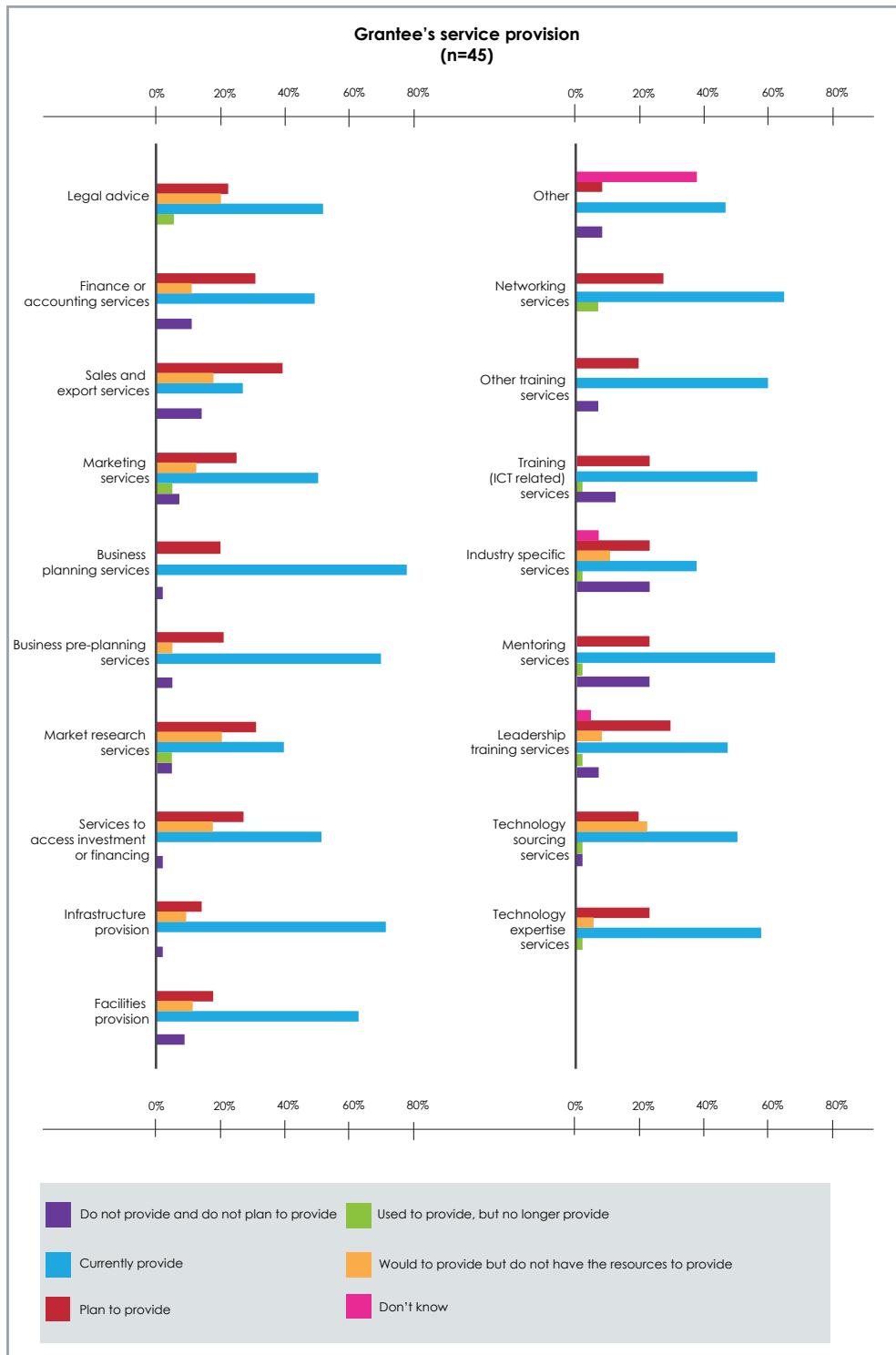


Figure 5 – infoDev's Grantees' Service Provision

The services offered by business incubators are studied in greater detail in Module 6 of the training program, “Managing the Incubator”.

Financing

Incubators support businesses in accessing various sources of finance. Depending on the growth stage of the business, the incubator may link its client with government grant schemes, banks, or venture capitalists. Hence, the type of financing may vary from seed grants, to credit, to equity. Some incubators may make their own sources of financing available for their clients as well, for example some incubators manage their own seed fund to invest in their client businesses. The training program dedicates Module 9 to addressing the issue of financing incubator clients, in detail.

“People Connectivity”

Incubators facilitate advisory relationships between the start-up company management team and an experienced individual from the incubator management team or an external expert from the relevant sector or industry (the mentor). In this way, incubators help to build the individual entrepreneurial and business skills of each client. Personal skills, such as financial, marketing and management skills, as well as overall good business judgment, are critical to any business’ success. Incubators, therefore, work to improve these skills in their clients. The experienced incubator manager or mentor provides advice and guidance during the start-up’s development. The mentor may also provide the entrepreneur with linkages to his/her own networks.

Incubators also facilitate meetings, discussions, links, and alliances between their clients and experts, such as accountants, communications and marketing consultants, and lawyers. Furthermore, incubators facilitate interactions between their clients and industry leaders relevant to their clients’ markets. These networks and contacts can help the client companies recruit new customers or enter new markets, identify potential partners and reach potential investors.

Figure 6 shows the percentage of incubators from the *infoDev* network, as of the year 2000, that offered services in coaching, various basic business services, funding, office space, and networking.

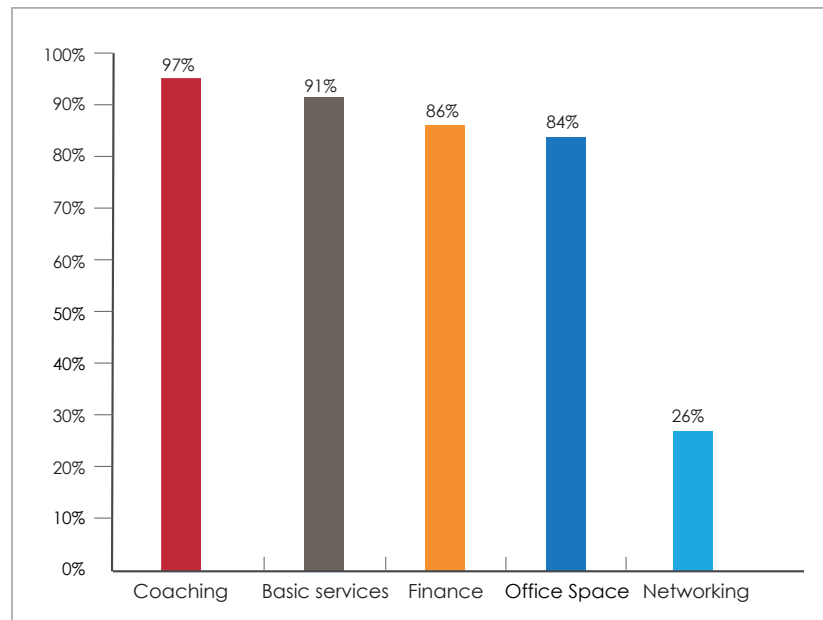


Figure 6 – Incubator Services¹¹

When looking at the percentage of incubators that provide each type of service, as shown by Figure 6, the most striking difference relates to networking. The low level of networking services provided by incubators could suggest that incubators currently pay little attention to networking and the benefits this can bring to their clients.

As countries embark on starting incubators, the most common mistake is to focus only on the building, creating fancy “smart buildings” with the latest technology, whereas what many clients value the most is “people connectivity” particularly in countries where entrepreneurship is still not valued as highly as say a career in the public sector. In *infoDev*’s network, many clients referred to the incubator as “an oasis of cultural safety” where “managers have faith in you and your ideas.”

Networking is an important part of the services incubators should offer. As Hansen et al. put it:

“Most business incubators provide office space, funding, and basic services. The better ones also offer an extensive network of powerful business connections, enabling fledgling start-ups to beat their competitors to market.”¹²

¹¹ Adapted from Hansen, Morten T., Henry W. Chesbrough, Donald N. Sull, and Nitin Nohria (2000) – Networked Incubators: Hothouses of the New Economy, Harvard Business Review, p.77

¹² Source: Hansen, Morten T., Henry W. Chesbrough, Donald N. Sull, and Nitin Nohria (2000) – Networked Incubators: Hothouses of the New Economy, Harvard Business Review

Business incubation can also be supported virtually (electronically) and through outreach programs for client companies established outside a physical incubator. Virtual incubation implies that all incubation services are delivered electronically. There is no physical incubation space. Outreach Business Incubation refers to business incubation with clients not located in the incubator¹³ and implies that incubation services are delivered to non-resident clients or 'out of wall' clients. It combines traditional incubation space and services with virtual services offered to both on-site tenants and off-site clients. With outreach incubation, there is a very strong physical element to the virtual incubation service. The business incubator manager meets from time to time with the clients face-to-face and the business incubation process is facilitated using virtual incubation tools. This can be described as a bundled offering. This can help build a good working relationship between client and incubator and can be a strong value proposition for incubators that need to demonstrate a greater reach and impact of service delivery.

Virtual incubation is particularly useful when dealing with technology firms and other businesses where classic incubation services, like office rental and technical support, may not be necessary. Virtual, outreach and networked incubation are explored in great detail in Module 11 of the training program, "Setting up Virtual Services".

Section 1.1.2: The Added Value of Business Incubation

Business incubators aim to help entrepreneurs overcome some of their challenges in order to establish, run and grow successful businesses. This is because incubator clients face challenges which continually change with the development of their businesses.

As far as businesses in their early development phases are concerned, very common challenges efficiently tackled by business incubation are:

- 1. Lack of business knowledge and experience.** The incubator informs and guides the start-up entrepreneurs through the process and steps of setting-up a business by providing them with information, examples, tools, and relevant contacts to successfully carry out these required activities. Examples of support could include the registration of the business or help in finding an appropriate business partner.

¹³ Source: *infoDev*, Business Incubation: Definitions and commonly used terms - <http://www.idisc.net/en/Article.38688.html>

2. Unrealistic expectations regarding the time required to start, secure and grow a business. Besides the advice provided by the incubator staff, the incubator offers networking opportunities between entrepreneurs (within the incubator and externally) who, even though they may operate in different sectors, go through the same doubts and difficulties. Sharing experiences about these challenges can help with overcoming the problem of unrealistic expectations, for example regarding the time needed to reach breakeven, for generating the first income from sales, and for acquiring additional finance.

3. Lack of management awareness and experience. Management needs to evolve as a business develops (there are differences in managing a business as a single entrepreneur /a small start-up team /or a small, growing business with numerous employees). The incubator provides information and support at different stages of the incubatee's development, for example in attracting, recruiting and retaining the required staff for the success of the business.

4. Lack of social capital (contacts and networks). Incubators offer access to relevant contacts and networks, which are important to ensure the businesses' growth and success.

When looking at how to grow their business, entrepreneurs will most likely face some or even all of the following challenges at a certain point in the early stage of their development:

- Lack of Demand
- Poor Access to Customers
- Competition
- Too few Products or Services
- Lack of Skilled Staff
- Lack of Finance /Capital
- Low Business Skills
- Low Technical Skills
- Lack of Space
- Lack of Time
- Difficulties reconciling Business Activities with Family Arrangements
- Work Related Health Problems/ Stress
- Tax and Compliance Issues
- Government Regulations or Restrictions

In response to these, the business incubator provides:

- Business mentoring, coaching and counseling for capacity building;
- Business management advice including human resources management;
- Business training workshops such as how to close a deal;
- Business planning advice to secure the success and sustainability of the business;
- Networking opportunities including access to technical advisors with regard to product development;
- Market research and marketing advice to identify the most appropriate market segment and pitch for the product;
- Help in finding new markets to access market opportunities;
- Help with sales by accessing professional business advisors;
- Help with raising finance to access an adequate source of finance;
- Financial management advice to secure the smooth financial management of the business; and
- ICT and office facilities such as office space, fax and photocopying machines, Internet and e-mail access, meeting room, and car parking.

The MEIA Study summarizes the added value brought by incubators as follows:¹⁴

- “Business Incubation Creates Economic and Social Impact;
- Business Incubation Fosters Change Through a Range of Models;
- Business Incubation Develops Leaders in Innovation and Entrepreneurship;
- Business Incubation Aligns Stakeholders in the Public, Private and Not-for-Profit Sectors; and
- Business Incubation Helps to Reduce Barriers to Innovation and Entrepreneurship in the Broader Business Environment.”

The different aspects are explored in greater detail in other modules of this training program; however the economic and social impact of business incubators can be tremendous and hence requires attention in the current module. One of the most visible economic impacts of business incubation in communities is the creation of jobs as shown by Figure 7.

¹⁴ Source: *infoDev*, Implications - <http://www.idisc.net/en/Page.MEIA.Study.Observations.html>

The MEIA Report concludes that business incubators are major players. In Brazil, the national business incubator association, ANPROTEC, has helped to facilitate the creation of more than 28,000 jobs. Other significant examples come from China and Mexico where the Tianjin Women’s Business Incubator (TWBI) and the University of Guadalajara’s incubator have created more than 6,000 and 3,300 jobs, respectively.

What is also important to highlight is that many of these new jobs created are “high value” jobs, i.e. those requiring highly skilled individuals frequently connected to ICT and high technology sectors. These jobs pay relatively high salaries to those employed by businesses originating from incubators.

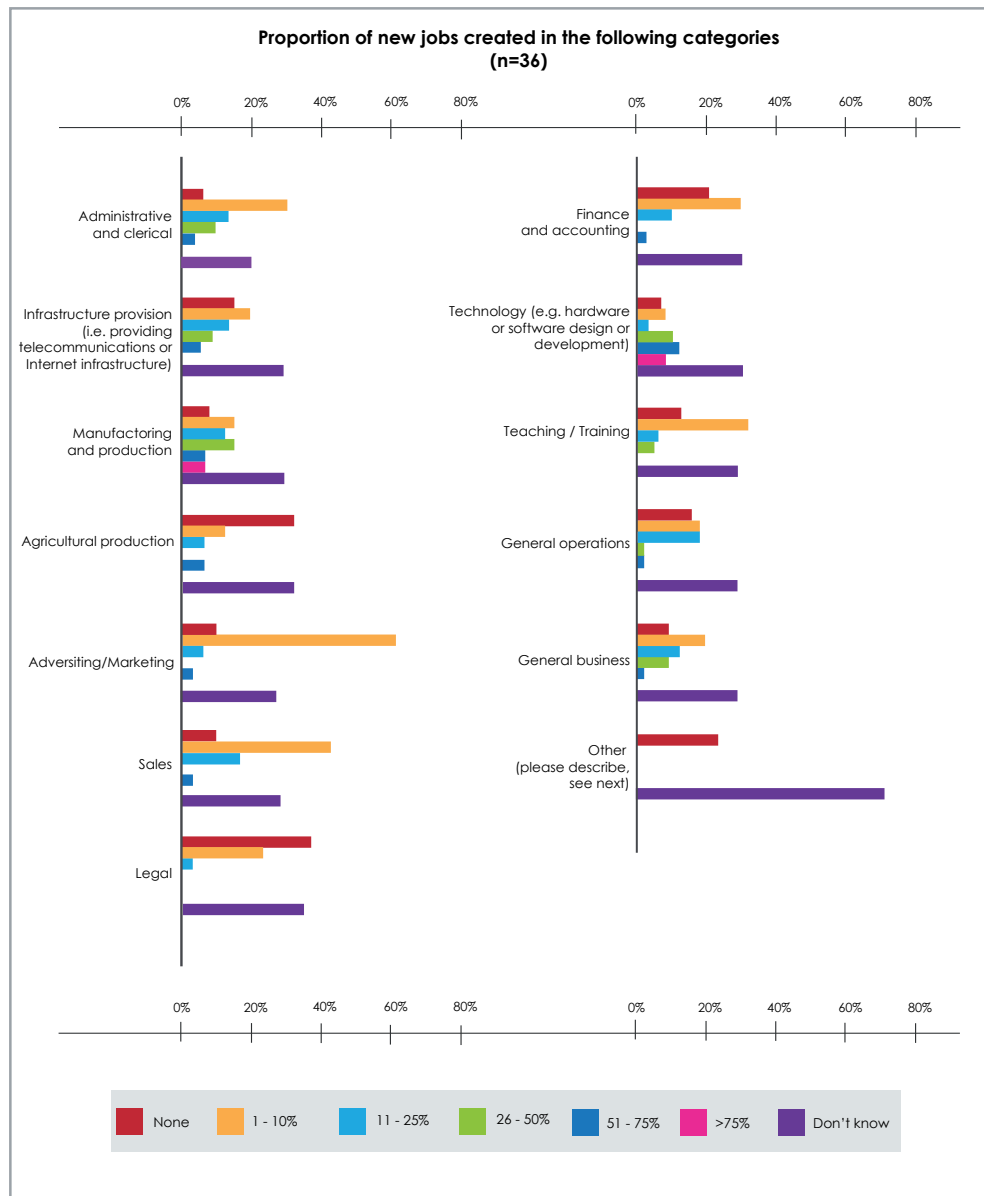


Figure 7 – Proportion of New Jobs Created by *infoDev* Grantees per Business Sector¹⁵

¹⁵ Idem

As one would expect, the MEIA Study concludes that the impact business incubators have is felt primarily by the entrepreneurs using the services of the incubators. One of the first impacts to be felt is the upgrading of the entrepreneurs' ICT literacy, which happens regardless of whether the entrepreneur is in the ICT sector or not. These newly acquired skills will play a pivotal role in facilitating market expansion activities, especially those that involve foreign markets.

The MEIA Report also suggests that the social and economic impact of incubation can go way beyond business and job creation by improving the community in other forms as well. These include:

- **Increasing the knowledge and skills of people living in the incubator's area, not necessarily only those of the actual clients.**

This can be achieved through incubators running training programs and partnership activities, of which the Tiruchiarappalli Regional Engineering College – Science & Technology Entrepreneurs Park (TREC-STEP, www.trecstep.com) is a good example, having reached more than 15,000 people with such initiatives.

- **Increasing the tax generation, which contributes to the local government's ability to improve the community's standard of living.**

Incubators can accomplish this through the direct and indirect taxes they pay, or much more commonly through the taxes paid by the businesses they help launch. More than half of the business incubators that are part of *infoDev's* Incubator Network state that their clients' fiscal contribution represents between 10% and 30% of their (the client's) turnover and over 20% report the percentage is higher than 30%. The report provides examples from Romania where clients of the Business Incubator Centre Baia Mare paid more than 100,000 Euros in 2005 in taxes, and from Armenia where Viasphere Technopark is one of the major taxpayers. NBIA estimates that for every U.S. dollar of public operating subsidy provided to the incubator, incubatees and graduates of NBIA member incubators generate approximately 30 USD in local tax revenue.¹⁶ NBIA also estimates that 84% of incubator graduates stay in the community where their incubator was located.¹⁷ This data suggests that incubators provide important and sustained revenue to local governments. Figures 8 and 9 illustrate the significant gains these figures represent for local communities.

¹⁶ Source: National Business Incubation Association, Business Incubation FAQ:

http://www.nbia.org/resource_library/faq/index.php

¹⁷ Idem

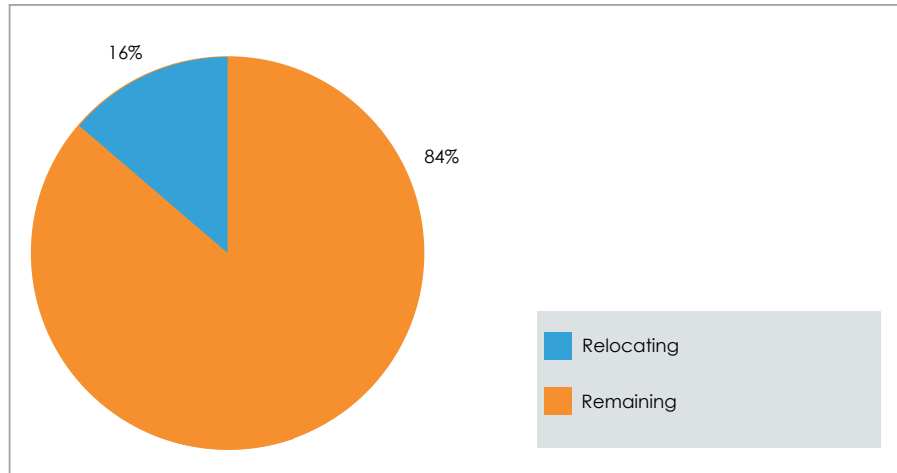


Figure 8 – Incubator Clients: Percent of Graduates Relocating versus Remaining¹⁸

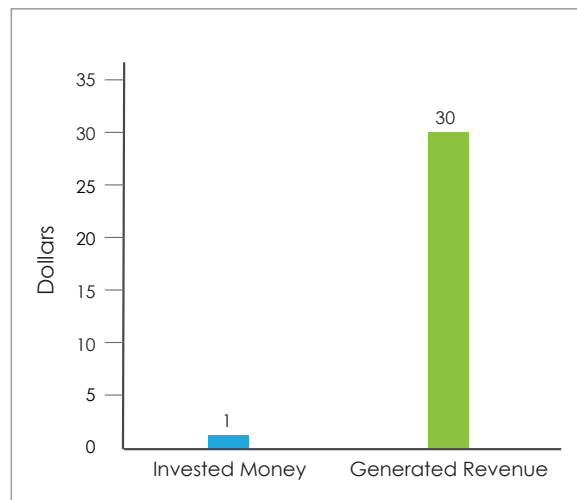


Figure 9 – Public Investment Returns¹⁹

- **Assisting the advancement of commonly marginalized social groups or groups that tend to remain outside the innovation and entrepreneurship eco-system as shown by Figure 10.**

The important role incubators play is not to be neglected in this regard. Some of the most relevant incubator examples include: the TWBI which focuses on women-owned businesses; the Parquesoft Program in Colombia, in which more than 50% of the initial clients were members of low socio-economic classes; and INEFOP in Angola, which works with businesses that manufacture

¹⁸ Idem

¹⁹ Idem

decorative household items out of recycled paper. Businesses participating in INEFOP have the potential to create jobs for women throughout the value chain, from those who collect used paper to those who manage the pulp, design, manufacturing and retailing of the paper.

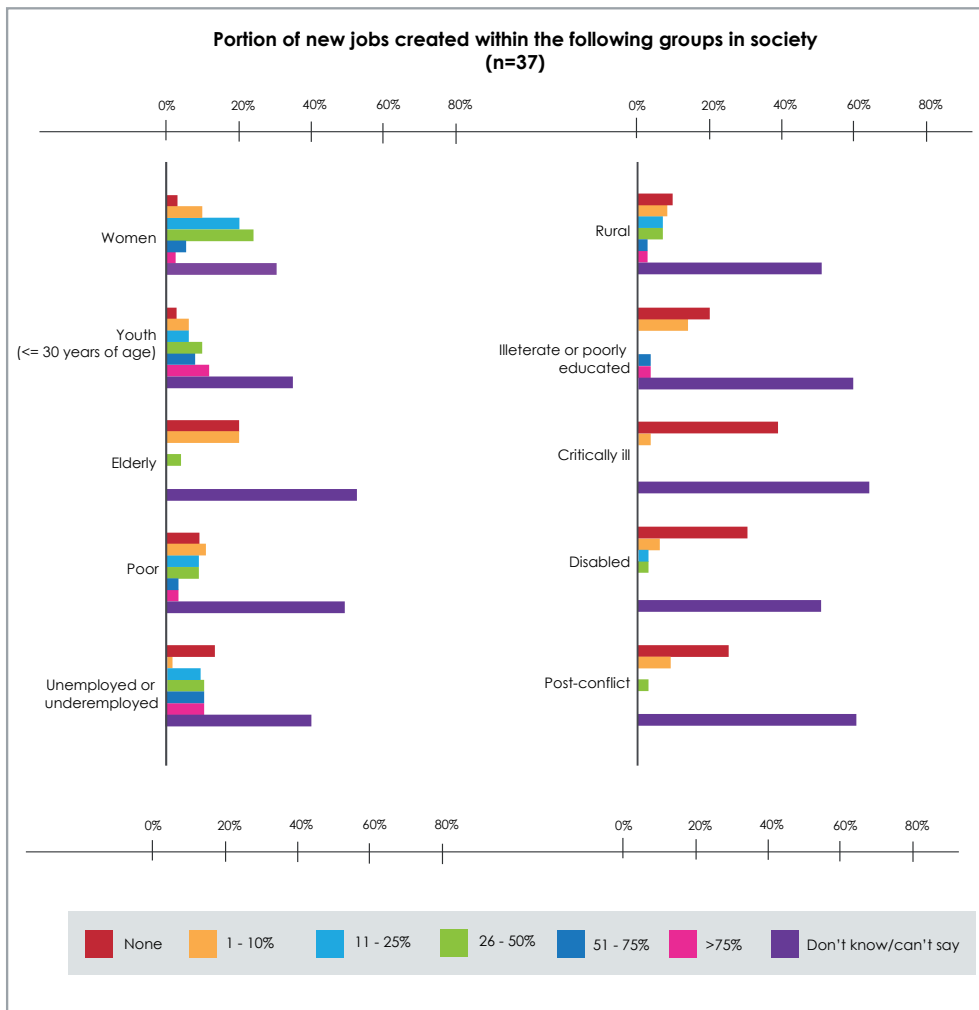


Figure 10 - Proportion of New Jobs Created by *infoDev* Grantees per Social Group²⁰

When looking at the long-term return on investment:

- Incubators have a broader long-term return on investment through the enabling environment they create due to their involvement in:
 - Brokering relationships between entrepreneurs and financiers;
 - Advocating policy and regulatory change on behalf of their entrepreneurs; and

²⁰ Idem

- o Promoting entrepreneur success stories, raising the awareness of entrepreneurship and cultural acceptance of calculated risk-taking.

Incubators are a core part of the innovation and entrepreneurship value chain as they can be a source of:

- o Pooled lower risk start-up investment opportunities for financiers;
- o Clients for technology parks and providers of innovative products / services for larger companies; and
- o Providers of information for policymakers regarding barriers to entrepreneurship and small business development and growth.

Incubators can have an important impact on local commercial and private real estate markets through the growth of their graduates. Graduated incubatees will build, purchase, or rent space when they move out of an incubator, providing new investment in the local market. Given that the likelihood of an incubated firm's success is much higher than that of a non-incubated firm, around 87%²¹ of firms are still in business after 4 years in comparison to 44%²² for non-incubated firms, landlords and/or lending institutions are able to rent and/ or lend with less risk as well, which provides stability in the marketplace.

Additionally, the added value of incubators from an incubatee and local community perspective is hugely significant when one considers that incubators foster new companies through incubation services as well as influence local and regional community renewal. These benefits should be emphasized when pursuing financial support for the incubator from public and private sectors.

One of the main strengths of business incubators is that they can be successful in a variety of social and economic contexts. Given their ability to aid companies that have specific needs, incubators are versatile enough to fit in most business environments, from the typical suburban Science and Technology Parks to inner city settings or even a rural context. For example, rural-based incubators may support companies dedicated to agribusiness and food technologies, while inner city incubators may serve disadvantaged communities by helping entrepreneurs start businesses that are not capital or technology intensive, but contribute to creating employment and wealth. The fundamental benefits of business incubation remain unaltered regardless of where the incubator is located.

²¹ Source: Molnar, Lawrence A., Donald R. Grimes, Jack Edelstein, Rocco De Pietro, Hugh Sherman, Dinah Adkins and Lou Tornatzky (1997) - Business Incubation Works, NBIA Publications, Athens, Ohio

²² Source: U.S. Small Business Administration, "Frequently Asked Questions" - www.sba.gov/advo

When considering the end beneficiary of business incubators, such as the incubated businesses (incubatees), the added value brought by incubators includes reduced costs for office rent, telecommunications, supplies, office equipment, and basic services. The incubatees can also in many cases rely upon incubator support staff with expertise in accounting, marketing, human resource management, and strategic planning. This expertise is particularly beneficial to newly established firms. In addition to the direct services incubators offer their incubatees, incubators can sometimes provide access to finance and business professionals at a reduced cost. Such access lowers the financial burden on the incubatee and improves its chances for success.

Additionally, incubators have the ability to encourage and influence the strategic position of their clients through the services they offer. Services such as business consulting and one-on-one mentoring sessions can help incubatees to change their mental paradigms, strategically position their value-offerings, and streamline their business. Partly due to the benefits brought about by these services, incubatees have an 85% survival rate after leaving an incubator (the NBIA and US Small Business Administration estimates this number at 87% in the US)²³ versus a mere 47%²⁴ without incubator support. There is anecdotal evidence this rate is substantially lower in developing countries.

Figure 11 summarizes the critical support business incubators provide to their incubatees from idea generation through to graduation. This added value stimulates the growth process and allows start-ups to become stable and healthy companies much faster than without the incubation process.

²³ Idem

²⁴ Source: Wiggins, Joel and Gibson, David V. (2003) Overview of US incubators and the case of the Austin Technology Incubator - Int. J. Entrepreneurship and Innovation Management, Vol. 3, Nos. 1/2, 2003

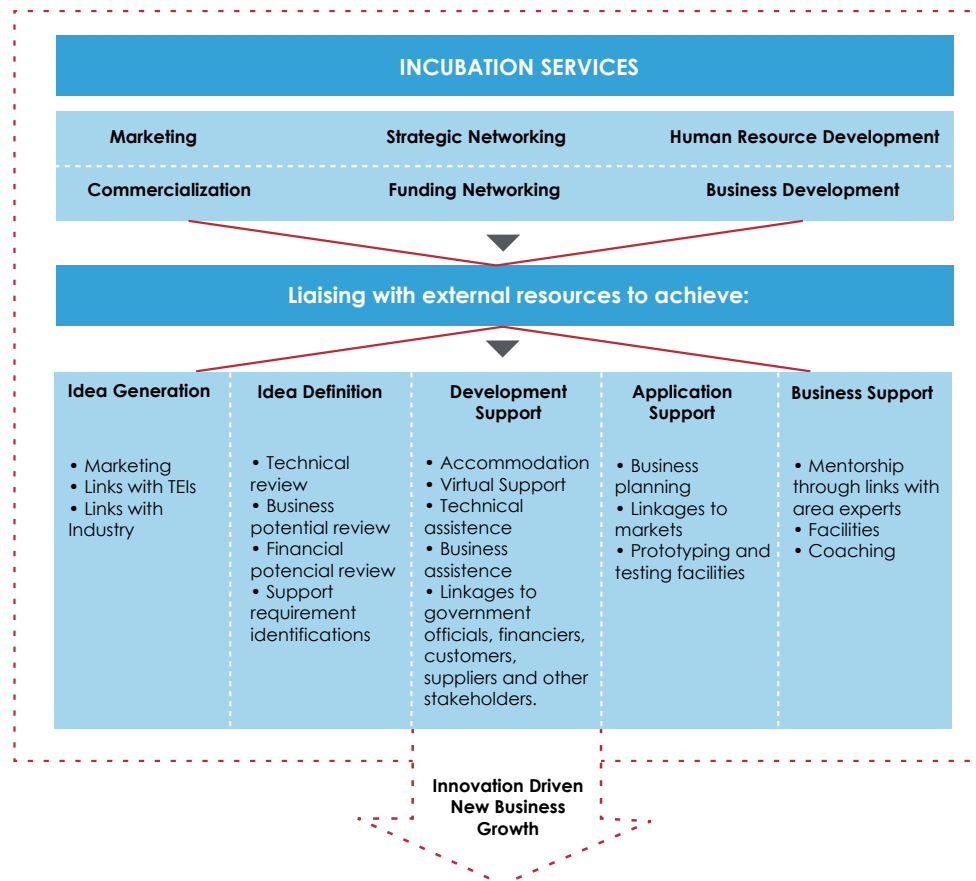


Figure 11 – Incubator Value Driven Business Growth²⁵

When referring to the success of businesses incubation, it is worth mentioning that typically recently graduated enterprises in *infoDev*'s network have 10-15 employees and an annual turnover of around 300,000 USD depending on the local environment.

Examples of client success stories are available on the iDISC: <http://www.idisc.net/en/SuccessStories.html>, while others have been summarized by Table 2.

²⁵ Adapted from: *infoDev* material – original author unknown.

INNOVATION BROUGHT TO MARKET	ENTREPRENEUR/ INNOVATOR
<p>PRODUCT</p>	<p>Energy, Environment and Sanitation Company Limited (ESSCO Ltd), in Kigali, Rwanda, produces and sells institutional cooking stoves fuelled by biogas. The low carbon stoves were developed by the Kigali Institute of Science and Technology (KIST), and were brought to market by two Rwandan entrepreneurs. In Rwanda, wood accounts for about 90% of household energy consumption. Burning wood emits carbon dioxide, and growing trees absorb it. However, once a tree is cut down for fire wood, it takes several years for a new one to grow to the same carbon absorption level. The collection of fire wood also causes soil erosion, leading to a further adverse impact on the environment and on the livelihoods of the poor. To preserve the environment, the government of Rwanda has, therefore, placed strict limits on deforestation. Thus, the biogas cooking stove is of immediate value for consumers, the protection of the environment, and future generations. As of December 2008, ESSCO's stoves had been on the market for a year and a half, and the company was already earning a small profit. ESSCO was incubated by the KIST Business Incubator. The founders were an engineering professor and a graduate student.</p>
<p>SERVICE</p>	<p>PV Inova, in Porto Alegre, Brazil, is improving the bus transportation experience for both passengers and operators through telephone and tracking products. TELO provides passengers who cannot afford mobile phones with an inexpensive way to make phone calls during their commute. TELOTrack uses GPS to provide bus fleet managers with the capability to quickly identify and react to problems in public transportation by performing automated identification, diagnosis, and resolution of any deviation or abnormality and to immediately provide critical information to the fleet management team. The products were successfully launched in Porto Alegre and Rio de Janeiro in 2007 and 2008. Three pilots are in operation in the United States, and business negotiations are proceeding in Angola, Argentina, Chile, and South Africa. PV Inova was incubated by the Genesis Institute. The founder was a Brazilian graduate student, who had worked for development banks for several years.</p>
<p>BUSINESS MODEL</p>	<p>Expertron, in Pretoria, South Africa, facilitates easy access to prepaid electricity for lower income consumers. When prepaid electricity was introduced in South Africa, municipal cashiers handled sales of prepaid vouchers. Due to the low volume of purchase points, many customers had to travel long distances and stand in long queues to purchase their electricity. As the customers could only afford small amounts of electricity at a time, many had to make the trip several times per month, resulting in a very high cost of electricity for the consumer, and an increase in theft of electricity. Expertron developed a cell-phone vending system to improve service delivery and simultaneously create jobs, by involving people from the community in the process of selling electricity. The system uses standard GSM mobile telephones as affordable point-of-sale (POS) devices to sell and distribute prepaid electricity tokens/vouchers. Any individual having a mobile phone and sufficient funds to purchase prepaid "electricity stock" may become a vendor, and earns a commission on his sales. Today, Expertron has an annual turnover of 630,000 USD. Expertron was incubated by the Maxum Business Incubator at Innovation Hub Science Park. The founders were three post-graduates in electronic engineering.</p>

INNOVATION BROUGHT TO MARKET	ENTREPRENEUR/ INNOVATOR
PRODUCTION	Kharpchelo, in Kharkov, in the Ukraine, sells honey and beeswax production equipment to beekeepers. Leveraging the founder’s background in engineering, Kharpchelo has found a way to improve on production technology imported from Russia to develop production equipment that consistently produces high quality honey. Kharpchelo reached 400,000 USD in annual revenues in 2008, and employed 20 permanent and 40 seasonal employees. Kharpchelo was incubated by the Kharkov Business Incubator. The founder was an aircraft engineer.

Table 2 – infoDev Grantees Client Success Stories²⁶

Section 1.1.3: The History of Business Incubation

Business incubation is a young industry. If we look up “Business Incubation” on Wikipedia, it is mentioned that its origins began in New York State, United States of America, in 1959 with the Batavia Industrial Center.²⁷ More accurately, the Batavia Industrial Center was the first business incubator set up, if we refer to today’s common understanding of a business incubator. However, if we consider “systematic” approaches driving business incubators’ operations, these probably came in to being in the 1970s or early 1980s. Since then, business incubation has grown and spread throughout the world. Incubators began to offer a greater range of services and provide more in-depth support to their incubatees. Table 3 illustrates three generations of incubators based on the advancement of their services. As shown in the table, business incubators became more service oriented and proactive over time. When looking at this table, one should keep in mind that the relevance of different generations of incubators depends on the area and purpose of the specific incubator. Hence, the table does not mean to suggest that only 3rd Generation incubators should operate today. On the contrary, 2nd Generation incubators can still be successful.

²⁶ Source: M. A. Khalil, E. Olafsen, Enabling Innovative Entrepreneurship through Business Incubation. Available at: http://siteresources.worldbank.org/INFORMATIONANDCOMMUNICATIONANDTECHNOLOGIES/Resources/ChapterKhalil_Olafsen.pdf.

²⁷ Source: National Business Incubation Association, The History of Business Incubation: http://www.nbia.org/resource_library/history/index.php

GENERATION	DESCRIPTION OF SERVICES
1ST GENERATION	<ul style="list-style-type: none"> • Office rental and shared office services • Reactive business support
2ND GENERATION	<ul style="list-style-type: none"> • 1st Generation Services plus • Proactive business support • Business coaching and mentoring
3RD GENERATION	<ul style="list-style-type: none"> • 1st and 2nd Generation Services plus • In-house debt/ equity finance for clients • Channels to external financiers • Partnering with other businesses in order to achieve critical mass for procurement contracts, products, and services

Table 3 – Three Generations of Incubators²⁸

Key Figures Today

Incubation is a global industry that is on the rise. As of 2009, the NBIA estimates that there are approximately 7,000 business incubators around the world.²⁹ This means that there is roughly one incubator for every 1 million people on the planet. There are two or more incubators in 70 countries worldwide as well as 60 national or regional business incubator associations. Figure 12 illustrates the distribution of incubators worldwide.³⁰

Figure 12 – Geographic Distribution of Incubators³¹

More important than their geographical distribution, it is essential to highlight the fact that incubators can be of different types, such as mixed-use, technology focused, and virtual, as discussed in depth in Module 2 of the training program on business incubator models.

²⁸ Source: United Kingdom Business Incubation, Highlight Overview of Incubation Industry - <http://www.ukbi.co.uk>

²⁹ Source: National Business Incubation Association, Business Incubation FAQ:
http://www.nbia.org/resource_library/faq/index.php

³⁰ Note: “Western Europe” is to be understood as the 15 Member States that joined the EU before 2004. “Eastern Europe” is to be understood as the 12 Member States that joined the EU in 2004 and 2007.

³¹ Source: infoDev – Network Directory: <http://idisc.net/en/IncubatorsMap.aspx>.

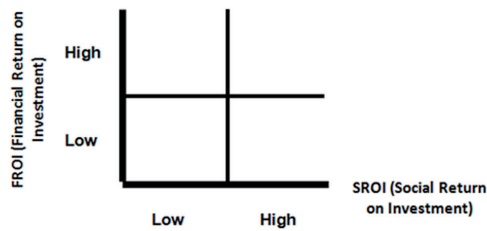
Diverse business models (Distribution in the Global Network)

University-Based	NGO	Government	Private Sector	Technology Park
19	29	11	6	7

Diverse objectives:

- Commercialize ideas/research
- Generate employment
- Empower the poor
- Spur innovation
- Create export revenues
- Get young graduates to create their own business
- Develop a new sector/increase competitiveness of a sector

Varied social and financial returns:



All models can be effective, but each requires a different approach...

Each model has a different set of expectations - an incubator cannot be all things to all people...

An incubator can be self-sustainable, but is rarely profitable...

Entrepreneurial committed leadership is key to success in all models...

57% of the incubators in infoDev's network are public-private-partnerships

Figure 13 – Incubator Business Models³²

³² Note: Social and financial returns refer to Social Return on Investment (SROI), i.e. an approach to understanding and managing the social impacts of the investments made in an incubator (e.g. job creation, integration of minorities...). It can be used by the incubators' stakeholder to measure if the social impact of the incubator meets their expectations and legitimate the investment made in the incubator

Section 1.2: Business Incubation Key Terms

As with all professional communities, the business incubation community has a set of terms that are common and must be understood in order to be a successful incubator manager. It is also necessary to have a firm understanding of the most common terms in order to continue with the remaining training modules of this training program.

This section will examine the core terminology of business incubation, providing definitions for each term and different aspect.

Anchor Tenant

An incubator tenant that is not an incubatee.³³ It is normally an established company that adds credibility to the incubator through its association with it, collaborating with incubatees and providing regular rental income.

Angel Investor

Typically a high net worth successful individual³⁴ who generally makes private equity investments in early stage companies. These investors operate either alone or in informal or formal groups/ networks. They typically provide lower and more flexible investments than venture capitalists and may open their networks, mentoring and coaching opportunities to companies they invest in.

Business Incubation

A public and/or private, entrepreneurial, economic and social development process designed to nurture entrepreneurs with business ideas and start-up companies and, through a comprehensive business support program, help them establish and accelerate their growth and success.³⁵

³³ Source: *infoDev*, Business Incubation: Definitions and commonly used terms - <http://www.idisc.net/en/Article.38688.html>

³⁴ Idem

³⁵ Source: SPICA Directory Online - <http://www.spica-directory.net/definitions/> - Please note that the 10th International Summit of Business Incubation Associations (Global Summit of the Global Network on Business Incubation) held in New Delhi, India, October 20, 2004 agreed on a simplified definition that can be used additionally: To support a simple model of the global incubation community recognizing business incubation environments and processes it is agreed to revise the current 'Global' definitions of business incubation to 3 simpler, more generic and inclusive definitions.

Business Incubator

A physical space or facility that accommodates a business incubation process.³⁶

Business Model

The mechanism by which a business intends to generate revenue and profits (also called a business design).³⁷

Enabled Environment

The positive “space” an incubator creates for its clients by lowering costs, increasing opportunities, providing access to partners and offering services. This allows firms to focus on establishing and growing their businesses and reaching their full potential.

Entry/ Selection

The process of joining an incubator. Good practice suggests that selection criteria should be applied to start-ups interested in joining an incubator. The selection criteria must take into account the objectives of the incubator, and the outputs against which it will be measured.

Exit

The process by which a client leaves the incubator without graduating.³⁸

³⁶ Source: SPICA Directory Online - <http://www.spica-directory.net/definitions/> - Please note that the 10th International Summit of Business Incubation Associations (Global Summit of the Global Network on Business Incubation) held in New Delhi, India, October 20, 2004 agreed on a simplified definition that can be used additionally: To support a simple model of the global incubation community recognizing business incubation environments and processes it is agreed to revise the current ‘Global’ definitions of business incubation to 3 simpler, more generic and inclusive definitions.

³⁷ Source: *infoDev*, Business Incubation, Definitions and commonly used terms - <http://www.idisc.net/en/Article.38688.html>

³⁸ Source: *infoDev*, Business Incubation: Definitions and commonly used terms - <http://www.idisc.net/en/Article.38688.html>

Exit (investment industry)

The event at which an investor cashes in an investment and realizes his/ her return. This usually takes place during an Initial Public Offering (IPO) or a Trade Sale.³⁹ It refers to the investor selling their investment in a company through one or several means such as an IPO, Shareholders' buyback, or trade sale of the company.

Graduate

A client who has successfully completed the business incubation program⁴⁰ and has reached financial sustainability.

Growth Space for Post Incubation

Accommodation made available for graduates⁴¹ whose businesses successfully grow beyond the start-up stage.

Hot-Desking

Rental of desk and sometimes including on-line PC, on a flexible, short-term or even hourly basis.⁴² It is the provision of desk space, incorporating telephone and Internet access, in an open-plan environment sometimes including meeting spaces and reception services.

Incubatee

The client part of the incubation process (resident or non-resident)⁴³ and may participate in the process on or off site.

³⁹ Idem

⁴⁰ Idem

⁴¹ Idem

⁴² Idem

⁴³ Idem

Mixed-Use Incubator

Accommodates incubatees in a variety of fields, often linked with the overall regional or national competitiveness strategy of the country or region in which it is based.

Non-resident Client

A client not located in the incubator building, sometimes called an “affiliate client”,⁴⁴ or an “off-site client” or commonly a virtual client. The client is still able to access many of the support features provided by the incubator.

Outreach Business Incubation

Business incubation with clients not located in the incubator.⁴⁵ This implies that incubation services are delivered to non-resident clients or ‘out-of-wall’ clients. It combines traditional incubation space and services with virtual services offered to both on-site tenants and off-site clients. With outreach incubation, there is a very strong physical element to the virtual incubation service. The business incubator manager meets with the client face-to-face and the business incubation process is facilitated using virtual incubation tools.

Physical Business Incubation

Business incubation with clients accommodated in the business incubation environment’s building.⁴⁶ These services can include tailored facilities with Internet connection, video conferencing and laboratories, as well as business support services including mentoring, networking, peer-to-peer learning and training.

⁴⁴ Idem

⁴⁵ Idem

⁴⁶ Idem

Resident Client

A client who is part of the incubation process and is renting accommodation in the incubator, sometimes called a “tenant”⁴⁷ or an “on-site client”.

Tele Center

A community facility where people learn how to use technologies such as computers and the Internet.⁴⁸

Trade Sale

The sale of a company’s shares to another company, often one in the same industry sector.

Virtual Business Incubation

On-line business incubation. Sometimes, the term is used to refer to what is called “outreach business incubation”.⁴⁹

⁴⁷ Idem

⁴⁸ Idem

⁴⁹ Idem

COMPONENT CONCLUSIONS

This component provides the foundation to understanding incubation. It explains how incubation has grown over the years, what services incubators offer their incubatees and when those services are most appropriate. This component also provides an overview of the terms and definitions that are a part of incubation jargon and illustrates how incubators can provide added value to their incubatees and their communities.

This is an overview of the incubation process that aims to familiarize trainees with incubation based upon internationally accepted standards and definitions. Completing this component provides the trainee with the knowledge and competencies required to proceed with Component 2 and the other training modules of the training program in order to gain a more in-depth understanding of incubator management.



Component 2:

Principles and Good Practices of Business Incubation

COMPONENT INDEX

Section 2.1: Principles and Elements of Business Incubation

Section 2.1.1: The Importance of Entrepreneurship

Section 2.1.2 Key Principles and Elements of Business Incubation

Section 2.1.3: An Enabled Environment

Section 2.2: Good Business Incubation Practices

Section 2.2.1: Good Practices

Section 2.2.2: Phases of Incubator Development

COMPONENT OBJECTIVES

This component is designed to provide the trainee with an overview of the key principles and good practices of business incubation.

After completing this component, trainees should have a general understanding of the principles and elements of business incubation, how incubators can provide an enabling environment, good business incubation practices, as well as how incubators develop into a mature incubator.

Section 2.1: Principles and Elements of Business Incubation

Managing an incubator is a demanding job. In order to be successful at establishing an effective and sustainable incubator, there are several key principles and elements of incubation management that should be applied. These principles and elements are discussed within this section.

Section 2.1.1: The Importance of Entrepreneurship

The term entrepreneurship has a wide range of meanings. Many of them can be found with a simple Google search.

The Global Entrepreneurship Monitor (GEM) identified two types of entrepreneurs: Firstly, there is the necessity entrepreneur (NE), who is a person who started a business because he/ she “has no better choices for work”. GEM distinguishes the NE from an opportunity entrepreneur (OE), who has started a business to take advantage of a business opportunity. This distinction is important because it determines the primary motive for participating in the start-up, whether they are willing volunteers (OE) or feel they are ‘forced’ into creating a new business (NE).

Economic growth and necessity entrepreneurship (NE) are closely and positively linked.⁵⁰ The necessity entrepreneur is someone who never considers starting or owning a business until there is no other option.⁵¹ The more generous the welfare system is, the lower the rate of necessity entrepreneurship. In a developed nation such as Australia or New Zealand, generous welfare benefits may result in an unemployed person choosing to enjoy a greater amount of leisure time rather than work, commonly referred to as the labor/ leisure trade off. This however is not the case in many developing countries, where (welfare) systems are often less generous.

Additionally, the higher the proportion of the adult population with pension provisions, the lower the rate of NEs. Developed countries rely on pension systems to provide for individuals when they become inactive in the labor market due to old age. This creates an additional incentive to work in order to raise total lifetime income from work related sources, especially in those countries such as South Africa where there is a non-provision of state funded pensions. Similarly, where barriers to market entry by new businesses are high, the rate of necessity entrepreneurship will be low. Entry barriers in the economic sense refer to potential obstacles that operate to discourage entry.

⁵⁰ Source: Frederick, H (2004) Toward High Growth Enterprise in New Zealand, The Unitec Global Entrepreneurship Monitor New Zealand 2003/4, Research Report Series, Vol 3, No.1.

⁵¹ Source: Kroll, L (2003) The Accidental Entrepreneur. Forbes, Volume. 171 Issue 10, p. 90.

Since there is a direct correlation between NE and economic growth, and that high growth is achieved by raising the necessity rate (GEM 2002), it is important to develop the escalation of NE. Moreover, it is equally important to foster higher levels of OE, as these enterprises are more likely to scale up and grow than NE enterprises. This may include interventions (such as business incubation) that aim at assisting NEs to become more opportunity oriented, with particular reference to the informal sector (unregistered businesses) necessity entrepreneurs and support for OEs to scale up and grow. This will and does include the promotion of knowledge and information flow to start-ups, highlighting issues such as entrepreneurial capacity (skills, motivation), entrepreneurial opportunity, business churning, market replication, market creation, financial support, access to physical infrastructure and commercial infrastructure.

Austrian economist Joseph Schumpeter considered entrepreneurship as an emphasis on innovation and new products, new production methods, new markets and new forms of organization. Many people use the term 'entrepreneur' to encompass any small business owner. While entrepreneurial ventures and small businesses have many aspects in common, this overlooks important differences. Entrepreneurial ventures are more likely to create wealth as opposed to simply generating income for the owner. They are far more likely to grow and to grow faster than other business ventures and involve higher levels of risk and substantial innovation. As Peter F Drucker noted in 'Innovation and Entrepreneurship', *"innovation is the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or a different service"*.

Entrepreneurship is an important driver of our local, national and global economies. Entrepreneurially minded individuals who start small businesses create jobs and wealth. They lead industry sectors through their spirit that encourages innovation.

As an incubator manager, you have the ability to promote an entrepreneurial culture that can maximize economic and social success on a local, national and global level. Your role as an incubator manager also requires an entrepreneurial spirit.

It is generally agreed that the following five characteristics are what entrepreneurial spirit is all about:⁵²

- Technical Preparation;
 - Business and Management Skills;
 - The capacity to use resources and information to take advantage of business opportunities;
- (and more specifically for individuals)
- Personal characteristics including genuine passion, flexibility and hard working values; and
 - Interpersonal skills to understand social impact of business development.

By having an entrepreneurial spirit and applying the key principles and elements discussed in the following section, you will be better able to create the necessary entrepreneurial environment and setting for incubated business owners.

Section 2.1.2: Key Principles and Elements of Business Incubation

Incubators, besides guiding the process of incubation, are also business-like organizations themselves and, as such, they must be run with an entrepreneurial mindset and follow proper business practices. The following principles and elements provide guidelines that will help an incubator manager be successful in balancing the incubator's double-role as a business enabler and as a business in itself.

⁵² Source: Hernandez-Gantes, V. M. (1996) Fostering Entrepreneurship through Business Incubation: The Role and Prospects of Postsecondary Vocational-Technical Education. Report 1: Survey of Business Incubator Clients and Managers, National Center for Research in Vocational Education, Berkeley, CA.

Key Principles of Business Incubation:⁵³**1. Realize the incubator itself is a dynamic model of a sustainable and efficient business operation, and must be managed as a business-like organization.**

An incubator cannot prepare its clients for success and have a lasting impact if it does not succeed. Incubators must operate as businesses with a strong focus on succeeding as one.

2. Focus the energy and resources of the incubator on assisting companies throughout their growth process, thereby maximizing the companies' chances of success and their positive impact on the community's economy.

Incubators should devote their services to those companies most in need of their support and most-likely to succeed as a result of that support.

3. Develop a sophisticated range of services and programs directed at companies according to their needs and stage of development.

Incubators are only as good as the services they can provide their clients. Developing targeted and effective services which can be utilized by incubatees at various stages of development is critical.

4. Develop a network that the incubator can rely on.

An incubator is not a standalone business that has all the required competencies and capacities 'in-house'. It needs to involve the community and gain the support of their area's stakeholders. Collaboration and integration are a critical success factor. For example, incubators need to refer to external sources of support in different expertise areas such as for mentors for instance.

Elements of Incubation

There are several elements of incubation that are critical to achieving a successful incubator. Some of these have already been covered in Component 1, although you will find them presented again in more detail. Trainees should keep in mind that these elements should be considered and adjusted to fit well within the incubator's operations.

⁵³ Originally published in *Growing New Ventures, Creating New Jobs: Principles and Practices of Business Incubation*, Mark P. Rice and Jana B. Matthews, 1995 and adapted from *infoDev's* principles and the NBIA's Principles available at: https://www.nbia.org/resource_library/best_practices/index.php

Entry/ Selection and Exit/ Graduation

The process of incubation consumes resources, time and energy. As such, incubators must carefully select which start-ups are accepted as incubatees. Incubators should select start-ups that will benefit from as well as meet the objectives and criteria of the incubator.

As incubation is about guiding incubatees from the idea stage to the graduation stage, incubatees should be selected with clear intent, understanding and belief that their business will grow and flourish as a result of incubation and ultimately graduate from the incubator. Incubatee profiles may vary significantly according to the selection criteria of the incubator, but successful graduation is always the common goal of not-for-profit incubators. Therefore, it is important to define an initial road map towards successful graduation and to select those start-ups willing and able, with the incubator's support, to reach this goal. The incubation process should be tailor-made for each client, taking into account the different sectors and markets in which these companies operate, since companies in different areas of business are likely to have different growth rates.

Post-incubation space should also be considered, in order to provide the opportunity for successful incubatees to remain affiliated with the incubator community that nurtured their growth. Providing post-incubation space also allows undergraduate incubatees to interact with experienced and successful firms, in the same or similar industries.

Figure 14 illustrates the process of incubation, with an emphasis on entry and graduation, as the beginning and end points of the process.



Figure 14 – The Incubation Process with Entry and Graduation Emphasized⁵⁴

It is important to note that the entry/ selection and exit/ graduation process discussed mainly applies to not-for-profit incubators. For-profit incubators do not focus on graduating incubatees. They normally prefer to take a stake in the incubatee with the intent to build a portfolio of successful companies.

Outreach and Virtual Services

These elements are studied in depth as part of Module 11 of the training program, which focuses on “Setting-up Virtual services”, nevertheless, an introduction to the concepts will be helpful in this section.

⁵⁴ Source: *infoDev* - A brief introduction to business incubation: www.idisc.net/en/DocumentArticle.38685.html

Some incubators, like BusyInternet, in Ghana (www.busyinternet.com), combine traditional business incubation services with outreach and virtual services provided by the incubator. This permits more individuals to take advantage of the services while also enabling the incubator to generate additional income and develop a stronger reputation in the community without providing more on-site offices for incubatees.

Where entrepreneurial activity is high, outreach and virtual services can be particularly effective. Outreach and virtual services provide entrepreneurs with an opportunity to benefit from incubator support at a minimal cost to the entrepreneur and the incubator. Entrepreneurs can benefit from access to hot-desking, business support services and information and communication technology. They can also benefit from the networking activities that take place through the incubator's outreach services.

Additionally, in isolated areas, virtual services may be the most effective way of reaching clients, as the Internet can quickly reach incubatees located many hours away by car.

Nevertheless, virtual services can never replace the benefits obtained from person-to-person interaction provided by a traditional incubator. The in person support that a tenant incubatee receives is much more efficient. Incubator personnel can respond more effectively and in real-time to the incubatees' needs. The tenant incubatee also benefits from the networking and knowledge gained from social interactions with other incubatees and business professionals at the incubator.

Linkages

Business incubators rely upon the connections their incubatees can establish, as the connections can result in new revenue streams, partnerships, or ideas that may prove financially successful. Incubators should make an effort to connect incubatees with individuals pertaining to the following groups:

- **Other public and private business service providers, such as lawyers, accountants, and marketing experts** – These individuals may be able to provide services to incubatees that are outside the incubator's capabilities, adding layers of business support to the incubator's operations.
- **Universities, technical centers and research institutions** – These organizations can offer services, access to intellectual capital, and new technologies. Matching these organizations with incubatees can result in new business ventures and partnerships.
- **Government agencies** – These agencies are in a position to support incubation and help improve the incubation environment through funding. Funds can be donated, offered as subsidies, or granted as a consequence of the national policy. These agencies can also become potential clients of incubatees.
- **Financiers, including angel investors, banks and venture capitalists** – These organizations and individuals are vital to incubatees. For most companies, there is a time in their existence when an injection of capital will be required, and being on good terms with financiers and investors will assist in overcoming that obstacle.

- **Local service providers** – Incubators can forge strong bonds with local service providers. The service providers can fill gaps in services that the incubator cannot offer. In many cases, these firms can be persuaded to offer group discounts to incubatees if a critical mass is reached.
- **Private sector mentors, including entrepreneurs, multinational firms, and others** – Mentors will provide incubatees with additional networks and guidance regarding aspects such as operations, markets, and expansion, among others. Mentors can also be matched with incubatees operating in similar industries or sectors. Mentors may be able to offer specialist advice or support that the incubator staff is not prepared to provide.

Figure 15 shows the process of establishing linkages for incubatees, with the incubator serving as an intermediary in the first contact and then facilitating direct connections between incubatees and outside agents.

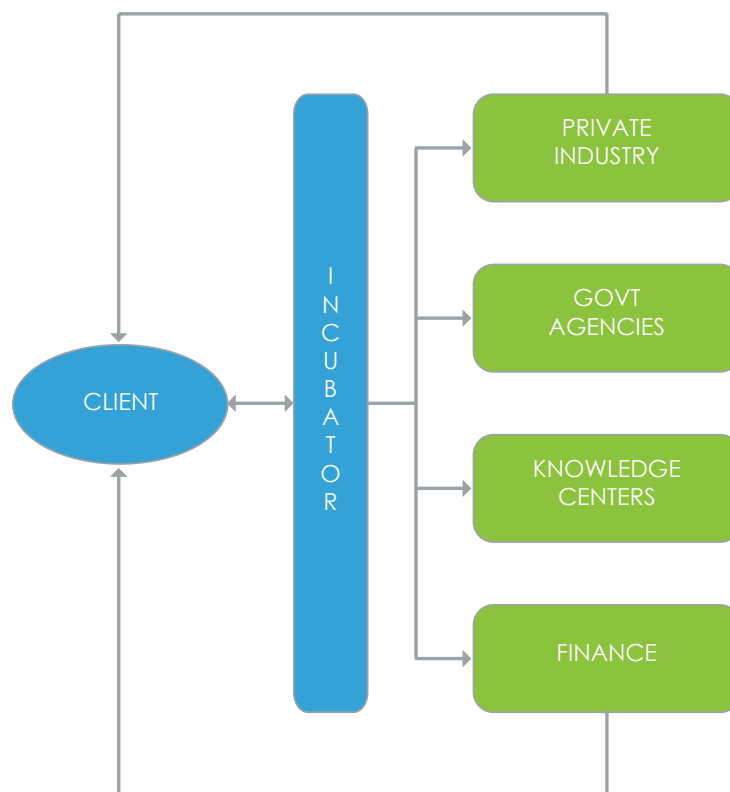


Figure 15 – Establishing Working Linkages for Incubatees⁵⁵

⁵⁵ Source: *infoDev* - A brief introduction to business incubation: www.idisc.net/en/DocumentArticle.38685.html

Access to Finance

In most cases, capital is a critical issue for incubatees. Therefore, incubators must address this issue by providing access to sources of finance. Some banks and financial institutions are risk averse and unwilling to provide venture capital or loans. This can be particularly problematic in developing economies, which often have fewer options in terms of access to capital, especially if the capital markets are under or poorly developed. Incubators, therefore, need to serve as the link between their incubatees and potential sources of capital.

Given the difficulty that incubatees face in trying to secure funding, incubators must reach out to sources in larger economies, international donors, and others to locate and secure appropriate funding for their incubatees. This proactive step is critical for incubation and is a key element to support business growth, since for most businesses it is hard to succeed without the appropriate funding. How incubators may facilitate access to finance for incubatees is the subject of Module 9 of the training program, “Deals and Financing for Incubator Clients”.

Business Support

Incubators provide key support services to their incubatees, which help the incubatees to focus their efforts on developing a competitive advantage within the market. The support services incubators offer may go beyond generic business support services towards specialty services and access to industry specific networks.

Efficient and effective delivery of business support services by an incubator enhances the chances of an incubatees’ success. This is the rationale for the incubators’ existence. Therefore, incubators must tailor their services to fit the incubatees’ needs, if possible offering the services at below market rates to reduce the cost of start-up.

If the incubator cannot offer all the services its incubatees may require at a given time, then the incubator should develop relationships and partnerships with regional and local service providers that are able to meet these needs. The incubator management team must continuously assess and meet the individual needs of incubatees, as this is crucial to the success of the incubation process. The business support services offered by business incubators to their clients are studied in greater detail in both Module 3 and Module 6 of the training program, “Planning an Incubator” and “Managing the Incubator”, respectively.

Section 2.1.3: An Enabling Environment

Business incubators can serve as a business enabling environment within the community by helping their incubatees overcome obstacles and become successful, as well as by positively influencing stakeholder groups and policy makers who can bring about appropriate changes to the business environment.

The following are some of the ways incubators can establish an enabling environment that assists incubatees, as well as relevant stakeholder groups and policy makers.

Incubatees

- **Helping to change the local culture, increasing entrepreneurial and economic growth by promoting local business growth and producing successful role models.**

Incubators can bring a new way of thinking to communities by providing role models for entrepreneurial success in the form of successful entrepreneurs. Incubators also offer entrepreneurs the tools they need to succeed.

- **Improving social capital⁵⁶, trust and fostering innovation and entrepreneurship, by creating cross sector linkages and Public-Private Partnership arrangements.**

Incubators bring companies and individuals together through networking. Connecting professionals from different sectors can establish trust between different firms and create innovative thinking by exploring fresh perspectives. Incubators also facilitate cooperation between their incubatees and public entities, with the aim of securing public funds as well as support for incubatees. Incubatees whose work is closely aligned with the government's priorities, such as those in incubators supporting green energy technology based start-ups, are usually in a better position to receive support.

- **Providing a dynamic learning environment to foster innovation, entrepreneurship and technology transfer.**

Incubators have the flexibility and opportunities to position themselves at the forefront of innovation, entrepreneurship, and technology transfer. From their experience and that of their tenant companies, they can apply the lessons they have learned to become even better enabling environments.

- **Reducing costs by joint procurement.**

Incubators are able to aggregate orders and hence procure goods and services at a lower cost for their clients. Discounts will help incubatees who have limited financial resources to support their early phases of product or service development.

- **Providing access to reliable energy providers with a backup generator if necessary.**

Incubators must ensure that business operations are not shut down due to unreliable energy sources. Loss of power can cause major IT problems and potentially ruin hardware or harm other production processes. A reliable provider of electrical power can overcome this problem, while a generator can ensure that a constant source will be available regardless of external factors.

- **Assisting incubatees to navigate through regulatory environments, thereby reducing their compliance costs and the lengthy time requirement.**

Incubators can provide information to incubatees on achieving regulatory compliance. In this regard, incubators can help incubatees develop good relationships with government officials, ensuring that all administrative and bureaucratic requirements are met and hence freeing up their time for them to concentrate on developing their businesses.

⁵⁶ Social capital is a sociological concept, which refers to connections within and between social networks. More information at http://en.wikipedia.org/wiki/Social_capital

An enabling environment for incubates can help to:

- Change the local culture, increasing entrepreneurial and economic growth;
- Improve social capital and trust, and foster innovation and entrepreneurship;
- Provide a dynamic learning environment to foster innovation, entrepreneurship, and technology transfer;
- Reduce costs by joint procurement;
- Provide access to reliable energy providers with a backup generator if necessary; and
- Assist incubatees to navigate through regulatory environments, thereby reducing their compliance costs and the necessary time requirement.

Relevant Stakeholder Groups

- **Serving as a test bed for stakeholders and policymakers interested in new ways of growing, regulating and/or supporting businesses.**

In this capacity, incubators provide policymakers with the chance to experiment with new ideas and incentives. Successfully tested programs can later be duplicated to enable more incubates and small businesses to benefit through new mechanisms of support.

- **Acting as effective advocates for increased awareness of business and regulatory change, as well as lobbying for the lowering of barriers to business.**

Incubator staff closely follow both the successes and failures of small companies. This close relationship between the incubator and small businesses gives the incubator a unique vantage point. As such, the incubator can provide accurate, fact-based accounts of the difficulties start-ups encounter, make proposals and raise specific issues which could be impeding incubatee development to policymakers, in order to foster business growth. This close relationship will be extremely useful to overcome barriers that client companies face such as, for example, a lack of local funding and complex bureaucratic processes hindering start-up activity.

In summary, an enabling environment for stakeholders can:

1. Serve as a test bed for stakeholders and policymakers interested in new ways of growing, regulating, and/or supporting businesses; and
2. Act as an effective means of advocacy for increased awareness of business and regulatory change, as well as allow incubator staff to raise specific issues which are impeding incubatee development with policymakers.

Section 2.2: Good Business Incubation Practices

As incubation management can be a complex and challenging discipline, the following section highlights good business incubation practices and the phases of a business incubator development. The section provides references for managers looking for advice and guidance in order to follow successful practices.

Section 2.2.1: Good Practices

infoDev has argued that there is no such thing as “Best Practices”, instead opting to use the term “Good Practices” as practices are always improving and the point when they can be defined as “best” is a moving target. Additionally, those practices that are relevant in some instances could be redundant in others, and some are better used if adapted to particular circumstances.

Keeping in mind that good practices must be analyzed and adjusted to the local context, it is important to gain an understanding of good practices in the business incubation industry. A firm understanding of the following practices will better enable an incubator manager to establish a successful incubator:

1. Commit to the three key principles of business incubation, as presented earlier.

- o Realize the incubator should be dynamic, sustainable, and an efficient business operation that must be managed as such.
- o Focus the energy and resources of the incubator on assisting companies through the development process, thereby maximizing the companies’ chances of success and their positive impact on the community’s economy.
- o Develop a sophisticated range of services and programs directed at companies, according to their needs and stage of development.

2. Obtain consensus on a mission that defines the incubator’s role in the community and develop a strategic plan containing quantifiable objectives to achieve the mission.

Incubators should establish their mission and strategic plan early and consensually in order to guide their growth and serve as a reference point during future strategic decisions.

3. Plan for financial sustainability by developing and implementing a realistic business plan.

Incubators must plan for financial success by outlining goals, revenue streams, expenditures, and investments on a realistic basis and constantly monitoring these through established key performance indicators.

4. Recruit and provide appropriate salaries (incentive based) to an incubator management team and board of directors to ensure that they are capable of delivering the mission of the incubator and have the ability to help companies grow.

5. Management is one of the most important key factors to a successful incubator.

An effective board can provide the incubator with guidance, suggestions, alternatives to current strategy, and a vision for the future. In turn, managers that provide services, are ambassadors for the incubator, and run its operations. Strong managers and directors with the skills necessary to

run the incubator are essential. The management's salaries should be structured to encourage results and linked to the success of their incubatees. If the incubatees' profitability improves the management's salaries should improve. Similarly, if the incubatees' profitability decreases then the management's salaries should decrease as well. *Prioritize management time to place the greatest emphasis on client assistance, including proactive advice and guidance that result in company success as measured by wealth and job creation.*

Incubator managers must work effectively on a variety of tasks. However, providing support to incubatees is the most important task of the manager. Therefore, managers must spend most of their time supporting the needs of their incubatees.

6. Develop the incubator's facilities, resources, methods and tools to address the evolving needs of each client.

An incubator's facilities must match its incubatees' needs as well as meet the incubator's goals. This means incubators must update their facilities, services, equipment, and human capacity to meet the changing demands and needs of incubatees.

7. Seek to integrate the incubator program and activities into the fabric of the community and its broader economic development goals and strategies.

Incubators cannot operate in a vacuum since partnerships with local stakeholders are required to deliver high level services to their clients. Therefore, incubators should align their goals with those of their local communities. This means nurturing relationships with local leaders and aligning the incubator's activities to the goals and strategies of the community.

8. Develop stakeholder support, including a resource network that helps the incubation program's incubatees and supports the incubator's mission and operations.

By developing a network of stakeholders that are willing to support the incubator's program in some form, due to a variety of shared interests, the incubator will fulfill many of the service and networking needs of its incubatees.

9. Maintain a management information system and collect statistics and other data necessary for ongoing evaluation, thus improving the incubator's effectiveness and allowing it to evolve with the needs of the incubatees.⁵⁷

Incubators should constantly monitor their performance. To do so, managers should gather information from their incubatees (financial, sales, employment, etc). The incubatees and the incubator can be benchmarked, trends can be determined, comparisons can be made, and lessons can be learned from collecting this data.

⁵⁷ Source: National Business Incubation Association, Principles and Best Practices of Successful Business Incubation:

https://www.nbia.org/resource_library/best_practices/index.php

Summary of key Good Business Incubation Practices:

1. Commit to the three key principles of business incubation.
2. Obtain consensus on the incubator's mission and develop a strategic plan to achieve its mission.
3. Plan for financial sustainability by developing and implementing a realistic business plan.
4. Recruit and provide appropriate salaries to an incubator management team and board of directors.
5. Prioritize management time to place the greatest emphasis on client assistance.
6. Develop the incubator's facilities, resources, methods and tools to address the evolving needs of each client.
7. Seek to integrate the incubator program and activities into the fabric of the community and its broader economic development goals and strategies.
8. Develop stakeholder support.
9. Maintain a management information system for ongoing evaluation.

Section 2.2.2: Phases of Incubator Development

Business incubators, like the process of incubation itself, grow in a phased way. Incubator phases are phases of development, rather than milestones on the path to completing a process. The three phases, as described by the United Kingdom Business Incubation (UKBI), are the Foundation Phase, Development Phase and Mature Incubation Phase.

Foundation Phase

This phase is comprised of those actions taken before an incubator is established. It includes planning, feasibility studies, raising funds, marketing, relationship building, assembling the right management team and board, and determining the legal structure. In this phase, the activities conducted and decisions made will define the incubation environment, the effect the incubator can have on its incubatees, and the effect the incubator can have on the local economy.

Development Phase

This is a complex phase and encompasses many actions and stages. At the beginning of this phase, incubators will focus on marketing, relationship building and reaching a critical mass of incubatees to secure a positive cash flow.

After this phase is completed, incubators begin to operate beyond their immediate surroundings, seeking to influence the outcomes and growth of a wider economic area. Incubators could be concerned, for example, with the availability for grow-on space for graduating incubatees and other related items.

This is potentially the time when many of the tax-incentives and subsidies, which the incubator may have relied upon, will expire or decrease, requiring the incubator to ensure that its business model is sustainable and that other forms of funding and/or revenue streams are available.

Mature Incubation Phase

Incubators in this phase seek to offer high quality and comprehensive incubation services, which are flexible and sustainable. At this stage incubators have demonstrated their impact on the wider economy through the successful graduation of incubatees.

Mature incubators will often specialize further than younger incubators, offering a wider range of support services and training opportunities for incubatees. They will also link their alumni network with current and future incubatees, which enable the incubator to become a reference point for business networks and a platform for developing business relationships.

COMPONENT CONCLUSIONS

This component provides trainees with an overview of the key principles and elements of business incubation with an assessment on how an incubator can provide an enabling environment. Good business incubation practices are presented in order to provide the trainees with key points that will assist their effort to establish effective and successful incubators. It is suggested that the good practices be analyzed and adjusted to the incubator's local context. The component concludes with the different phases of incubator development. The three phases are described in order to provide the trainees with a basic understanding of the process an incubator may go through until it reaches maturity.

This component provides an insight into how to build a solid foundation towards business incubation success. The trainees are provided with several points that must be understood and applied in order to efficiently manage an incubator. The trainees can exploit this knowledge and determine which key principles, elements, or good practices should become the focus for their incubator management team in order to improve their incubators' performance.



Case Studies

Offering a Wide Variety of Services in Business Incubation

Incubator Name: BusyInternet, Ghana

Sector: Information and Communication Technologies

This Case Study Examines: The range of services a single incubator can offer clients, depending on the clients' stage of incubation.

Date: July 2009

PART I

SUMMARY

Problem

How can an entrepreneur stimulate innovation in Ghana?

Solution

Establish an incubator that offers a wide range of services and business options, catering to start-ups at all stages of business development.

PART II

BACKGROUND

In Accra, there are very limited opportunities for entrepreneurs interested in starting new businesses. As in many developing countries, the power sources are unreliable, access to computers as well as Internet connections are scarce, and the basic infrastructures needed for daily business activity are limited.

A Welsh entrepreneur saw these limitations as an opportunity to establish an incubator, BusyInternet, in 2001. BusyInternet has the mission to generate innovation in Ghana at the same level the founder experienced in New York and London.

Located in Accra, the incubator began operating in 2005 and grew quickly. The original vision called for providing individuals with access to the technological facilities available elsewhere. As of 2008, BusyInternet had successfully graduated 32 start-ups. The incubator achieves its success through a wide variety of services, ranging from accommodation and hot desking to virtual services.

Created by two local investment companies, Fidelity Capital Partners and Databank, and a Welsh entrepreneur, BusyInternet employs 120 individuals and hosts 10 incubatees, 90,000 accounts, and 1,000 daily visitors.

Through providing the essential business environment necessary, BusyInternet has boosted social and economic development and hosted many start-ups.

Services

BusyInternet offers a range of services from hot desks, a laptop lounge, cybercafé, and copy and printing services to refreshments, legal counseling, and incubation. The services are all tailored to the incubatees' development stages. This combination of virtual and outreach services with accommodation and more traditional incubation services is key to BusyInternet's success, enabling the incubator to serve a wide community of individual entrepreneurs and more established start-ups.

With support from *infoDev*, BusyInternet is quickly expanding. It has opened offices in Tema and central Accra and offers such services as:

- ICT services
- Office space
- Linkages to financiers
- Business information
- Business management and development advisory services
- Incubation program for non-resident clients (outreach program)
- Incubation program for resident clients
- Mentoring/coaching
- Pre-incubation services
- Training in business management
- Facilitation of linkages between incubatees
- Networking events
- Referrals to business professionals

Other key features that distinguish the incubator include its monthly rental fees, which contrast markedly with the normal Ghanaian practice of requiring a three year "advance fee", and the access to technology that BusyInternet provides its incubatees. Rather than being forced to pay cash for essential working materials, such as a laptop, incubatees need only pay small fees for time used on the computers. Finally, BusyInternet facilitates the process of business registration, clearing bureaucratic hurdles and significantly reducing the time needed to register.

Lessons Learned

BusyInternet is a unique incubator supplying Ghanaians with access, support, and resources to innovate and grow their businesses. Its varying services enable the incubator to offer support to start-ups, tenant incubatees, individual entrepreneurs, and Ghanaians of all business segments.

Its work has led to the successful graduation of 32 firms, 13 have been in operation for three or more years. This demonstrates that the incubator has performed well and is capable of providing an enabled environment for its incubatees.

Indeed, coming out of a military regime in Ghana, where employment was mandated and economic activity was stagnant, BusyInternet has helped to shift the cultural paradigm. Today, individuals are starting their own businesses, innovating and offering new services for local entrepreneurs.

BusyInternet has shown that by providing individuals with professional office space, dependable utilities, ICT, and management support, it is possible to create an enabling environment that can spur innovation, entrepreneurship, and growth, even in a country with a recent past marked by war and poverty. In summary, these services allow an individual to transform a business idea into a thriving modern business by eliminating many of the difficulties of starting businesses and allowing them to concentrate on business growth rather than the logistical details.

TIMELINE OF EVENTS

- BusyInternet was founded in 2001 in Accra, Ghana.
- Its operations began in 2005.

OUTCOME AND CONCLUSIONS

In a country where the basic infrastructure is virtually nonexistent for aspiring entrepreneurs, BusyInternet has established a highly successful incubator. By providing a business environment with a reliable power source, Internet and computer access, as well as a series of support services, BusyInternet has given Ghanaian entrepreneurs hope and the ability to succeed in business.

It is a good example of providing varying degrees of services, from hot desking to accommodation in order to support a large pool of business interests and business stages. Its success has been considerable, as it enables individuals to start operations, grow steadily, and overcome the normal hurdles an entrepreneur in Ghana may face when opening a business.

PART III

LINKS

- BusyInternet - <http://www.busyinternet.com/>

REFERENCES

- BusyInternet's Business Incubator in Ghana | iDISC.net
<http://www.idisc.net/en/Article.38728.html>
- BusyInternet | iDISC.net
<http://www.idisc.net/en/Incubator.2.html>

Contact details:

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Telephone: +233 021-258800

Creating an Enabled Environment

Incubator Name: Tianjin Women's Business Incubator (TWBI), China

Sector: Mixed-Portfolio

This Case Study Examines: An Enabled Environment

Date: July 2009

PART I

SUMMARY

Problem

A lack of opportunity for women-owned businesses. The businesses that are established by women also have a very low success rate.

Solution

Establish a mixed-portfolio incubator designed to assist female entrepreneurs in starting and running businesses.

PART II

BACKGROUND

Tianjin Women's Business Incubator (TWBI) is located in Tianjin, China. The not-for-profit incubator was founded in 2000 and is China's only women's mixed-portfolio incubator today. During its development, TWBI leveraged support from the municipal government, local agencies, and the United Nations Development Program. The incubator was able to gain this support, in part, due to its focus on assisting women, a significant minority in the business sector.

The incubator has grown since its establishment and aims to create jobs and promote the success of women-owned businesses. It does so by expanding its services and providing for its own sustainability, ensuring future growth and success.

TWBI's mission, from the start, has been to provide long-term opportunity and employment for women. It has achieved these goals successfully by establishing itself as a provider of quality services and is a sustainable business in its own right.

This mission is particularly important in China, where economic restrictions have been progressively eliminated, but individuals are still learning to cope with business control. Now, as wealth grows, so does inequality. In the main, the great majority of women in Chinese urban areas work mostly in

government planned jobs in the manufacturing industry, without much incentive to open their own businesses, while others stay at home, caring for children and elders. It is still uncommon for a woman to enter the business world and start a company. TWBI aims to do something about this issue.

The incubator helps its women entrepreneurs overcome these cultural challenges through a series of programs that include a loans program and mentoring program. The greatest benefit the incubator provides is an environment that showcases women that have succeeded, thus providing encouragement to up and coming women entrepreneurs. This is further emphasized by matching women entrepreneurs within the incubator with successful business women if possible in the same field.

Today

Currently, the incubator occupies a 5,000 square meter facility, houses 54 clients, supports 16 off-site clients, and has graduated 29 companies – 8 in 2008. Its activity has contributed directly or indirectly to create jobs and opportunities for approximately 10,000 individuals, mostly in the manual labor and service industries. TWBI has become a model of success and other potential incubators in the People's Republic of China study its operations for learning good practices.

TWBI offers clients start-up assistance, business training, business strategy assistance, basic financial training, graduate support, and a micro-credit program originally funded by the UNDP and the local municipality. One very interesting aspect is TWBI's mentoring program, which brings in successful entrepreneurs to advise incubatees on strategy and business. These services are critical to building incubatee confidence and capabilities.

In 2003, TWBI received support from *infoDev* and has since expanded its services to offer a mix of pre-incubation preparatory work, incubation program administration, marketing and networking, and post incubation activities. TWBI's connections and linkages with the government also enable incubatees to overcome legal and administrative hurdles. Additionally, the incubator offers incubatees low-cost essential services, such as office facilities, printing, Internet access, telephones, and more.

This wide variety of services enables the incubator to offer tailored support to women-owned businesses at different stages of incubation. This translates into more women-owned businesses receiving support and assistance in establishing themselves in commercial markets.

TWBI, in addition to operating a highly efficient incubator, is a successful business. It is nearly completely financially self-sufficient, charging for accommodation, business services, and external training courses. The percentage of revenue from each is:

- Accommodation fees – 70%
- Business services – 10%
- External training courses – 20%

Due to the incubator's success, it is considered a best practice case within the Chinese incubator community.

Lessons Learned

The environment TWBI has created, by providing quality services and facilities to women entrepreneurs and by pooling women in a common working environment, demonstrates how an incubator can enable entrepreneurs. Cultural and social limitations are lessened, successes are shared and become common bonds of inspiration, and women entrepreneurs are developing confidence and being successful. These results are created by a series of programs as mentioned in the section entitled “Today” above. The programs that have the greatest impact are: the loans program that emphasizes the individual’s business plan, not her available assets; the mentor program that matches the incubatee with a mentor in the same field; and the financial management training program that provides accounting training and ongoing support.

TWBI also has helped to fill a gap in the Tianjin economy. Voids created with the closure of state-owned companies are now being filled by SMEs, and TWBI’s assistance ensures that more SMEs are successful, providing jobs for laid off workers (60% of whom were women) and stimulating the economy. This illustrates how effective incubators can be in addressing economic woes and providing a stimulus to job creation, and renewal.

TIMELINE OF EVENTS

TWBI was founded in 2000 and received financial support from *infoDev* to expand its services in 2003.

OUTCOME AND CONCLUSIONS

TWBI’s success has been considerable. The incubator not only generates jobs, fulfills its mission, and remains a financial and reputable success, but it also has a truly dynamic operation, constantly seeking new ways of furthering its services for incubatees. It has worked to become self-sufficient, while also developing links with local, national and even international organizations. Its combination of tailored services aimed at incubatees at different stages of incubation, sound business practices, and the leveraging of outside support have transformed this incubator into an important player in its field, focusing on women entrepreneurs – a group often marginalized in business.

Through this focus, TWBI’s work has added to Tianjin’s economy, enabled women entrepreneurs, led to successful businesses, and overcome prejudice attached to women as business leaders. TWBI is truly a social, economic, business, and incubator success story.

As this case study shows, TWBI's operations have created an enabled environment, as discussed in this module, for women entrepreneurs to start and develop businesses and for locals to find jobs resulting from these incubatees.

PART III

LINKS

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Good Practices

Incubator Name: ITCP Incubator, Brazil

Sector: Mixed-Portfolio

This Case Study Examines: Good Practices of Business Incubation

Date: November 2009

PART I


SUMMARY

Problem

How can one provide incentives and jobs, as well as an environment for economically disadvantaged groups to succeed in Brazil?

Solution

Establish an incubator and tailor programs and processes directed at creating cooperatives in economically depressed and marginalized areas.



Note – With regard to this case study, a cooperative is a group of individuals and/ or businesses in an economically deprived geographical area that work together on generating and supporting business opportunities. They are in fact a local network of individuals and/ or businesses.

PART II

BACKGROUND

In the 1990s, unemployment in Brazil swelled as state workers saw their companies close during privatization. This led to about 50% unemployment among those that were considered the heads of the household. The lack of employment opportunities was a driving force towards the Incubadora Tecnológica de Cooperativas Populares (ITCP) establishing an incubator in 1995 aimed at assisting entrepreneurs through fostering cooperative structures.

The incubator was established with the belief that entrepreneurs could be found anywhere, especially in marginalized areas. Therefore, the incubator focused its efforts on slums and other depressed areas and sought to include these marginalized areas into the formal economic system.

Focusing on cooperatives also has the added effect of bringing individuals together who faced the same everyday challenges to start a business and build on economies of scale.

ITCP's Approach and Program

The ITCP approach is unique, mostly due to its target audience (low-skilled and underfunded entrepreneurs, with little or no expertise) and the specific focus on cooperative structures. In general, cooperative structures tend to operate as businesses more oriented towards the common good than for profit and with an elected and participative management structure.

The ITCP approach is carried forward through a program of support that involves several services and training activities designed with two particular objectives in mind: the first is to foster effective cooperatives based on a set of principles, and the second is to address the economic viability of the cooperatives.

Fostering Effective Cooperatives

The first of the main ITCP objectives aims to provide activities intended to develop cooperatives as effective organizations within the community. Throughout the incubation process, the principles commonly associated with cooperatives are continuously reinforced by mentors, guiding the process through the various stages of incubation. These principles include:

- Teamwork between the various entrepreneurs or businesses that make up the cooperative;
- Voluntary and open membership within the cooperative;
- Democratic control and economic participation of members in matters central to the cooperative's management such as the organization of production, how to establish relationships with stakeholders, the cooperative's growth and development, finance control and access to information; and
- Autonomy and independence of the cooperative.

Where possible, the cooperative is encouraged to stimulate education, training and information dissemination within the cooperative and among other cooperatives.

In order to encourage cooperatives in the incubation program to abide by these principles, ITCP offers a variety of services including management tools that enable the provision of systematic and transparent accounts for all cooperative members, as well as the implementation of frequent incubator-wide meetings and day-to-day advice for cooperatives in the areas of administration, fiscal, and ethics, among others.

Additionally, ITCP builds knowledge and awareness in key topics such as education, work, health, gender and racism, via formal education and professional training. The formal education is primarily through ITCP's university network; while the professional training is delivered through ITCP facilitated activities such as lectures, seminars, debates, presentation of videos and networking events, all of which are provided during the incubation process.

Economic Viability

The second of the main ITCP objectives aims to develop cooperatives into thriving business environments. Throughout the incubation process, help and advice is given to cooperatives in work management, marketing and commercialization of products / services. ITCP also provides access to legal and accounting resources. More formally, these services can be categorized into three areas:

- 1) Administration
- 2) Production and Commercialization
- 3) Work Management

1) Administration

The planning, implementation and evaluation process of a productive cooperative often involves the implementation and continuous use of a system of management rules dealing with internal relations within cooperatives, external relations with other cooperatives as well as with other enterprises, private organizations and public bodies. ITCP's services in this area:

- Provide an environment where the cooperative can become a legal entity and develop as a business, obtaining the necessary documentation for it to produce and commercialize;
- Ensure the right to income and social protection, through which the cooperatives can achieve business sustainability. This is completed by the development of clear mechanisms for redistribution according to the principles of cooperatives and development of a longer-term financial management plan, aiming to improve the living conditions of the cooperative's members, and
- Enable the use of Information Technology and Communication in cooperative management, ensuring that cooperatives have access to, and manage, information which is clear and transparent.

2) Production and Commercialization

The production and commercialization of products / services from cooperatives is achieved through a series of expectations set by ITCP for its incubatees that include:

- The dedication and commitment of all partners undertaking work in the cooperative;
- Prior understanding of the reasons behind, and incorporate into practice, the need to constantly improve products / services;
- The knowledge that commercialization of products / services is the final stage of the production process and cannot happen unless cooperatives understand what they are producing, for whom, at what price and how to present the product to the customer; and
- Prior understanding of the need to have a business plan, which aims to address some of the points above, but also sets goals and the means to achieve them.

3) Work Management

In order to enhance their work and achieve greater stability, cooperatives must maintain their economic autonomy and continuously work towards greater sustainability. Lack of resources, both financial and people, is a common characteristic facing cooperatives involved in incubation processes. To combat this, ITCP invests its efforts towards:

- Fostering the ability of cooperatives to: establish partnerships; access resources; and search, establish and maintain potential partners so that together they may seek project funding, professional training, commercialization channels and potential suppliers.
- Offering education and vocational training to members of cooperatives in order to allow the transfer of knowledge and encourage partnerships. ITCP currently has activities running in ICT that are particularly important given Brazil's gap between the computer literate and computer illiterate. With training, both are able to contact clients directly, leverage the web and manage data efficiently and centrally.

In more practical terms, services offered in order to achieve this second major objective are varied in nature. They include:

- Planning, pricing, logistics and marketing services;
- Market research,
- Product presentation training;
- ICT training in Microsoft Office and the internet;
- Business Plan development;
- Technical skills, such as food handling, sewing, clothing design, among others;
- Networking events; and
- Monitoring and evaluation systems.

Lessons Learned

ITCP has found that cooperatives offer strong incentives for helping financially depressed communities. The ITCP case study shows how, through the assistance of an incubator, incubatees can link together as cooperatives and leverage the programs of the incubator to become capable and ultimately successful.

By focusing the incubator's efforts on a particular community, the incubator can have a significant impact. This is shown by ITCP's focus on economically depressed communities in Brazil. As demonstrated by ITCP, an incubator can be even more successful through concentrating its efforts on developing the networks between its incubatees and the incubatees' potential customers. Once again we see the important role an incubator can have with regard to fostering collaborative and market oriented networks.

TIMELINE OF EVENTS

ITCP was founded in 1995 in Rio de Janeiro, Brazil.

OUTCOME AND CONCLUSIONS

By applying good practices of business incubation, ITCP has had a significant positive impact in the community. In the particular case of ITCP, the incubator emphasized good practices with regard to focusing on marginalized communities, and concentrating services on training and effective networking between incubatees within cooperative structures and their potential customers.

What made ITCP successful is the fact that the incubator was able to identify and implement good practices that met the particular needs of the entrepreneurs within its community.

PART III

LINKS

- <http://www.itcp.coppe.ufrj.br/ingles.php>

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Integrated Incubation

Incubator Name: Zelow Community Development Foundation, Poland

Sector: Mixed-Portfolio - Small town-based general business incubator

This Case Study Examines: Fostering the impact of business incubation by integrating it within a regional business support program that aims to tackle the challenge of stimulating entrepreneurship in small towns. The Polish model of business incubation.

Date: April 2010

PART I

SUMMARY

Problem

Small towns and villages suffer from economic underdevelopment, poverty and unemployment. These problems can be tackled by job and enterprise creation.

Setting up an incubator is often envisaged as way to address this problem. However, small towns and villages usually do not have the capacity to attract and mobilize the adequate deal flow of potential clients and incubator tenants, which jeopardizes the success and sustainability of the incubator from the very beginning.

Solution

To integrate the business incubator as one component of a regional business support program providing outreach to the small town area and managed by one regional institution: this is the experience of the Zelow Community Development Foundation, which manages an Entrepreneurship Business Support Centre and loans to entrepreneurs.

PART II

BACKGROUND

The town of Zelow has a population of 8,000 inhabitants while the total population of the Zelow county is of 16,000 inhabitants.

The Zelow Community Development Foundation was founded in 1991 to foster local economic and social development. The role of the foundation is to enhance the development of businesses by providing financial support to culture, sport and ecology related activities in Zelow and three other counties.

Between 1991 and 1993, the foundation involved local inhabitants, representatives of the local administration and government, NGOs, and professionals from the private sector in the definition of the Development Strategy for Zelow County.

The Strategy was first implemented through the establishment of a Business Incubator - in a 1,400 square meter building that previously belonged to a now bankrupted textile local company - and a Business Support Centre in 1993. At a second stage, in 1994, an Entrepreneurship Loan Fund was set-up. Since 2004, the Foundation is managing a second Business Incubator in the nearby town of Tomaszow Mazowiecki and has Contact Points in two other towns: Belhatov and Piotrkow Trybunalski.

International aid programs (US AID and the World Bank from 1991 to 2004 and the European Union since 1991) provided and still provide financial support to the incubation programs implemented in Zelow. The international financial support is complemented by national initiatives from government branches such as the Polish Ministry of Economy and the Ministry of Labor and Social Policy.

In 2010, the Foundation organizational structure includes:

1. Business Support Centre
2. Entrepreneurship Loan Fund
3. Business Incubators in Zelow and Tomaszow Mazowiecki
4. Help Desk for Non Governmental Organizations
5. Contact Points in Belchatow and Piotrkow Trybunalski

Supporting Local Enterprise Creation & Development

The Foundation manages initiatives and programs aiming at:

1. Supporting the development of small and medium sized enterprises;
2. Tackling unemployment; and
3. Developing Human Resources.

Therefore, the people supported by the Foundation are:

1. Unemployed people;
2. Start-up companies; and
3. Established companies with growth potential.

Potential entrepreneurs are assisted in the creation of businesses by the Business Support Centre through the provision of business idea assessment, business plan development and other relevant consulting and advisory services.

The business incubator based in Zelow is focused on enhancing the creation of businesses by primarily supporting early stage and start-up businesses. The incubator clients are provided with office and production space, business services, secretarial and administrative services at affordable (below market rate) prices.

There is also space for anchor tenants in the incubator facility. They generate income for the incubator by paying full rent and fees and enhance the network of the incubator by bringing their own contacts from the local community.

Entrepreneurs requiring financial support can receive:

- A loan from the Foundation's Entrepreneurship Loan Fund; and
- A credit from the Credit Guarantee Fund Ltd. in which the Foundation acts as a shareholder.

Outreach to the Zelow county

The Foundation carries out permanent awareness activities to promote entrepreneurship and attract companies to establish themselves in Zelow and investors to invest in local companies to strengthen the local economic and social development potential and capacity.

TIMELINE OF EVENTS

1991: Establishment of the Zelow Community Development Foundation.

1993: Establishment and start of Zelow business incubator and Business Support Centre operation.

1994: Establishment and start of the Entrepreneurship Loan Fund operation.

2004: Establishment and start of the Tomaszow Mazowiecki business incubator operation.

OUTCOME AND CONCLUSIONS

By networking a business support centre, business incubators and a loan fund, the Foundation enables these organizations to cooperate more efficiently in their support to local businesses.

The Foundation is certified as a Polish National Service System Centre for SMEs, is affiliated to the Ago-Info Network, and is certified under ISO 9001:2001. The business incubators benefit from the positive image and perception of the foundation at local and national level, enabling them to attract the required deal flow of client businesses to operate on a sustainable basis.

Due to their success, particularly in attracting new businesses, the incubators had to enlarge their incubation space. In 2010, the total space available was of:

- 2,973 square meters in Zelow; and
- 1,336 square meters in Tomaszow Mazowiecki.

The total space enables the incubation of 22 multi-sector tenants employing 70 people (figures as per April 2010).

Over its 17 years of operation, the Zelow incubators have graduated 18 businesses.

A number of businesses that are not incubated on-site, but supported either through the Business Support Centre or the Entrepreneurship Loan Fund must be added to this figure.

PART III

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UKBI: United Kingdom Business Incubation

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