

THE BUSINESS INCUBATOR ... straight to the point!

This document is intended for the KEY PEOPLE program's partners that will be responsible for the business incubator set-up. In the most concise way, this document defines the incubator, outlines its main missions, highlights its business creation support services and the necessity of building business support networks and, finally, deals with its governance and management.

Despite the difficult circumstances and to combat the consequences of them, it is still possible and certainly more necessary to set up this business incubator dedicated to Iraqi women ... No time to waste; let's go together to the heart of the matter!

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MAIN INTEREST OF SETTING UP A BUSINESS INCUBATOR

A European study¹ highlights the fact that business incubators are a very cost effective instrument for the promotion of economic policy objectives. The numbers of business start-ups, the number of jobs created, the relatively low cost per job and other benefits demonstrated by business incubators suggest that they are a very effective tool and as such should be financially supported.

DEFINING WHAT IS A BUSINESS INCUBATOR

“A business incubator is an organization that accelerates and systematizes the process of creating successful enterprises by providing them with a comprehensive and integrated range of support, including: incubator space, business support services, clustering and networking opportunities (...). By providing their clients with services on a “one-stop-shop” basis and enabling overheads to be reduced by sharing costs, business incubators significantly improve the survival and growth prospects of new start-ups.”²

“Incubation is a unique and highly flexible combination of business development processes, infrastructure and people, designed to nurture and grow new and small businesses by supporting them through early stages of development and change.”³

“Business incubation is a business support process that accelerates the successful development of start-up and fledging companies by providing entrepreneurs with an array of targeted resources and services. These services are usually developed or orchestrated by incubator management and offered both in the business incubator and through its network of contacts. A business incubator’s main goal is to produce successful firms that will leave the program financially viable and freestanding. (...) Critical to the definition of an incubator is the provision of management guidance, technical assistance and consulting tailored to young growing companies. Incubators usually also provide clients access to appropriate rental spaces and flexible leases, shared basic business services and equipment, technology support services and assistance in obtaining the financing necessary for company growth.”⁴

MAIN LESSONS FROM A EUROPEAN BENCHMARK OF BUSINESS INCUBATORS

The study⁵ recommends that in seeking to achieve best practice at an operational level, particular attention should be given to:

- clearly defining the target and adopting admission criteria that focus on projects where an incubator can genuinely add value (--> missions);
- placing particular emphasis on developing high quality business support services and networks (entrepreneur training, business advice, financing, ... --> services);
- ensuring that the incubator is managed in a business-like manner by a qualified management team (--> governance);
- ensuring that incubator operations are integrated into wider regional development strategies and supported by broadly based partnerships (--> partnership).

¹ Centre for Strategy and Evaluation Services - EU

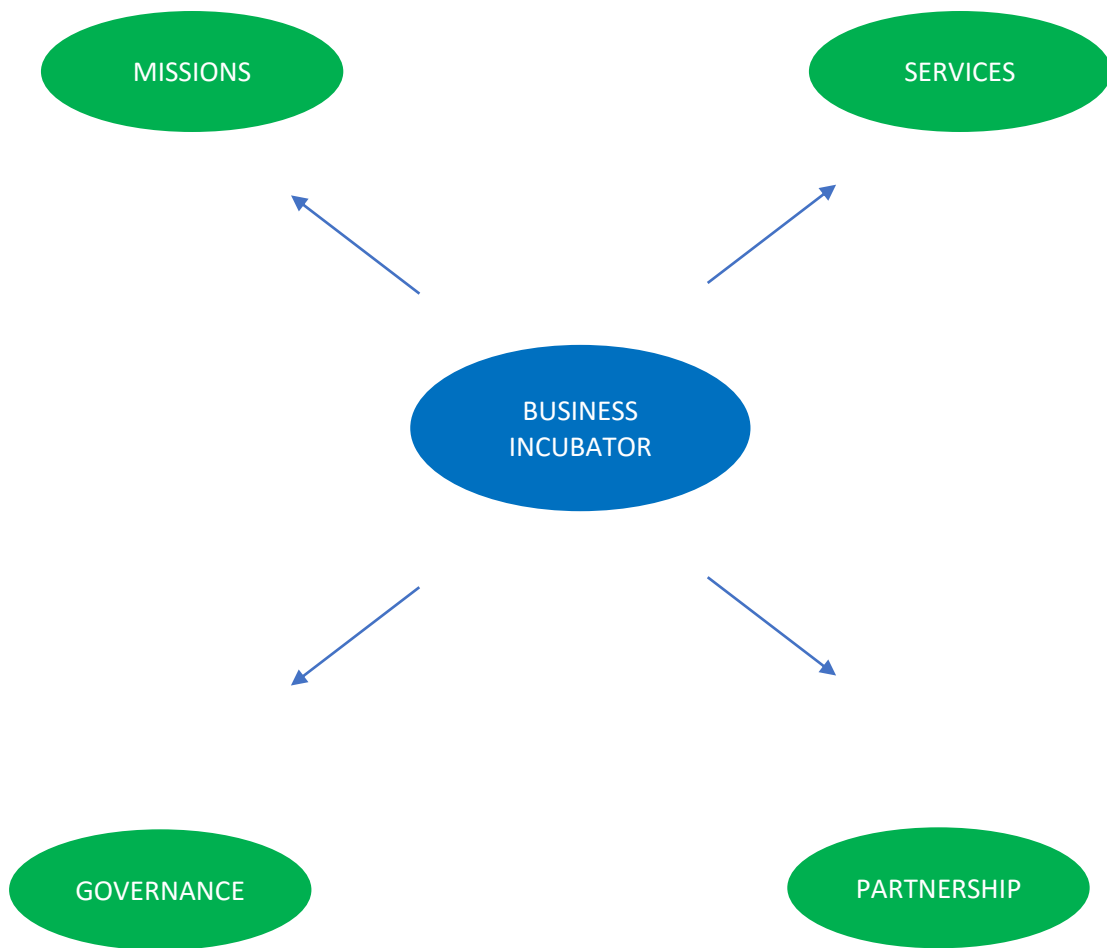
² Centre for Strategy and Evaluation Services - EU

³ United Kingdom Business Incubation - UK

⁴ National Business Incubation Association - USA

⁵ Centre for Strategy and Evaluation Services - EU

THE BUSINESS INCUBATOR: A GENERAL FRAMEWORK



THE BUSINESS INCUBATOR: MISSIONS & SERVICES

In short, incubation is a process which is activated whenever there is a need to nurture would-be entrepreneurs to think over and further develop the business idea and transforming it into a viable and sustainable activity. In brief, to support entrepreneurs in developing their own business.

Typically, the incubator's objective is achieved through the provision of:

1. business support services (so called "immaterial services" or "business development process")
2. physical units and shared services (so called "material services" or "physical incubation")

The KEY PEOPLE project's incubator will address a specific target: Iraqi women in difficult situations due to war, displacement, death of relatives, loss of means of subsistence and lack of self-supporting opportunities. To alleviate these sufferings and to enhance women's economic situation, the very first incubator's mission will be to help women starting small businesses.

BUSINESS DEVELOPMENT PROCESS

Due to this specific target and this central objective, the incubator will follow a three steps business development process:

1. pre-incubation phase;
2. incubation phase;
3. post-incubation phase.

Pre-incubation phase

Pre-incubation consists of the activities needed to support the potential entrepreneur in developing his business idea and business plan, to boost the chances of an effective start-up creation. For this phase to be successful, the incubator has to assess the woman's personal profile and the business project's profile.

The personal profile's assessment will be focused on:

- family and friends support
- past studies
- past professional or personal experiences
- personality (problem solving minded, business minded, ...)

The project's assessment will be focused on:

- the product or service (how to design it, how to supply it, how to sell it, ...)
- the market (suppliers, competitors, consumers, potential, ...)
- the needs (skills, investment, financing, ...)

The matching between the person and her project (i.e. studies and/or experiences linked with the business idea) will also be evaluated. These assessments will be summarized in a SWOT matrix (Strengths, Weaknesses, Opportunities, Threats). The aim here is to design a kind of "tailored support"⁶ aimed at lessening the weaknesses and increasing the strengths in order to develop the business idea till the launching of a new enterprise stage.

⁶ For example, this « tailored support » can be based on entrepreneurship training, personal guidance, peer-to-peer exchanges, internal and/or external expertise, mentoring, ... It should be stressed that this "tailored support" may also take the form of a "collective entrepreneur"; i.e. the constitution of a group of women who are complementary and interested in setting up a business together.

The pre-incubation phase will be closed when these four main objectives will have been addressed:

- a product or service ready to be offered to the market;
- an approved coherent business plan;
- a secured and sufficient financing;
- a legally constituted activity or company.

Incubation phase

Incubation consists of the support given to the entrepreneur from the start-up to the expansion phase. This is a mid-term process which includes regular activities such as business plan follow up and on demand activities such as direct coaching, access to business support services, mentoring, specific training, ...

For the specific target and objective of the KEY PEOPLE project's incubator, the importance of business plan follow up will not enough be stressed. This activity should be performed on a very regular basis, by example, a quarter at most. It is aimed at identifying as soon as possible either divergences in relation to forecasts or opportunities that should be seized and then taking appropriate actions.

The incubation phase will be closed when both the entrepreneur and the company "walk on their own feet" i.e. the entrepreneur manages her business and her business is successful.

Post-incubation phase

The post-incubation phase objective consists in sustaining the growth of the company. For the KEY PEOPLE project's incubator, post-incubation will mainly consist in performing on demand activities aimed at either solving a specific question or expanding a business. Depending on the nature of the request, the incubator and/or a specialized business support organization may respond.

The consulting services that can be requested by entrepreneurs during the post-incubation phase (but also during the incubation phase) highlight the necessity for the incubator's stakeholders of creating a business support network with selected and qualified partners.

➔ *See also Annex 1*

PHYSICAL INCUBATION

As evidenced by some experiences⁷, physical incubation, although a very important service, is only a subset of the overall incubation process. However, physical incubation has definite advantages. On the one hand, during the pre-incubation phase, allowing a candidate to freely use the incubator's space and facilities for a limited period may be very stimulating and speed up the elaboration of the business project. On the other hand, for incubated companies, interactions among them and with the incubator management team results in an enriching learning process.

Private units

Usually, a business incubator consists of small units which can be combined. These units include at least a basic equipment (desk, telephone, internet connection). They are proposed on flexible rental terms and for an affordable rent which will normally rise gradually to market levels at the end of the physical incubation period.

In addition, a business incubator provides some shared spaces and shared services.

Shared spaces

- welcome desk
- meeting/training rooms
- kitchen/cafeteria, lounge

Shared services

- reception and secretarial services: welcoming the visitors, maintaining the collective mailbox, sending messages, filling out invoices, booking meeting rooms, ...
- security services: checking on the security of the physical installations
- communication services: providing communication infrastructure to incubated companies (telephone, internet, other ICT services, ...)
- cleaning services: cleaning the individual units and the shared spaces
- lease of equipment (e.g. audio-visual equipment, ...)

It is often suggested that, at least beyond a certain level of use, business incubators should charge clients for the services (shared spaces and shared services) they provide.

⁷ For example, many of the business start-ups that were being created with the assistance of the general business incubators of the Brussels Region had no real need of a space within them due to the very nature of the business: shop, workshop, ...

Governance is a critical issue for a business incubator's effectiveness and results. The management structure of an incubator is normally composed of three managerial levels: the board, the management and the strategic council (also called "advisory committee").

COMPONENTS OF THE INCUBATOR'S ADMINISTRATION

Board

The Board is composed of representatives from each one of the organizations that participated in the incubator's formation and/or aided in making it operational and/or provided economic or financial support. The number of members should be limited so as to smooth the board's decision process.

The Board is responsible for:

- developing, controlling and improving a strategic plan for incubator policies
- developing policies about how the team operates and the role of the president
- supporting and controlling the business operations of the incubator
- supporting the incubator's development

Management

The management is composed of the incubator's manager and his/her staff (e.g. assistant, secretary). In short, there are three groups of activities generally performed in an incubator:

- activities related to supporting entrepreneurs developing their business
- activities related to operating the incubator as an independent organization (i.e. a business)
- activities related to developing and maintaining business support networks

Consequently, the management is responsible for:

- providing business development services to future entrepreneurs and incubated businesses
- managing the accounting and finances of the incubator, the facilities and shared services
- ensuring an adequate quality for the services provided

Advisory committee

The advisory committee is composed of professionals and/or specialized consultants and/or representatives of the member organizations of the incubator's business support networks and/or other incubator's stakeholders.

The role of the advisory committee is twofold:

- helping the board and management to improve the incubator's business support strategy and operations
- helping the manager in his/her task of providing advices and guidance to future entrepreneurs and incubated businesses

SETS OF TASKS TO BE MANAGED

As noted above, there are three groups of activities to be performed by a business incubator.

Advice

This set includes all the activities related to business creation and development.

The basic fundamental activities such as initial assessment, conception of a tailored support program, assistance to develop a business plan and to set up the new business, business plan follow up and referrals to business specialists if necessary should be performed by the incubator's staff, ideally its director.

The other support activities, less frequent and aimed at giving precise answers to more specific questions or at ensuring closer and longer support to entrepreneurs, should be performed by external specialists and/or successful entrepreneurs chosen in the incubator's network (see next page).

The control of this set of activities will be ensured by the incubator's Board.

Activity

This set includes all the activities related to improving the skills and business capacities of incubated entrepreneurs such as training programs, peer groups, specific seminars, networking events, public relations events etc. Based on the needs of the incubated entrepreneurs, these activities should be designed and organized by an incubator's staff member in collaboration with the resources of the incubator's networks (see next page). Suggestions for these activities may also be given by the Advisory committee (see next page).

The supervision of this set of activities will be ensured by the incubator's director.

Administration

This set includes all the activities related to the management of the incubator as a business and as a facility. This will include tasks such as the management of the private units, the shared spaces and shared services. This will also include tasks such as the bookkeeping, the completing of the required formalities, the keeping of the incubator's agenda, the public reception etc. These activities will be performed by an incubator's staff member.

The supervision of this set of activities will be ensured by the incubator's director.

THE BUSINESS INCUBATOR: BUILDING BUSINESS SUPPORT NETWORKS

There are many excellent reasons for a business incubator to build business support networks:

1. obviously, to provide nascent and growing businesses with access to specialists who are able to guide the entrepreneurs on specific issues in growing their business;
2. but also, to secure an adhesion to the business incubator's project and a broad consensus on it from various parties: public sector, private sector, NGO's and civil society;
3. and just as importantly, to share experiences and create business development opportunities.

SUSTAINING NEW BUSINESSES CREATION AND GROWTH

Indeed, *maintaining a permanent board of specialists is often too expensive for an incubator since the knowledge fields required may be numerous and diverse.* The best option is then to establish a network of partnerships with professionals from different work areas. If well managed, this network can assure the entrepreneurs of high quality guidance at low costs to the incubator, since some of these professionals are likely to be willing to work at less than normal fees or as volunteers.

Three "figures" or "roles" are usually identified:

1. consultant: a specialist who advises and guides the entrepreneurs in strategies and business management according to his expertise, marketing, finance, accountancy, legal, ... Due to the incubator's project, often, he asks a lesser fee;
2. mentor: a successful entrepreneur with valuable experience that wish to share his experience with new entrepreneurs. A mentor will normally act as volunteer;
3. advisor: a specialist or a successful entrepreneur that accepts to temporarily act as a "board member" of the new company and, here again, he will normally act as volunteer.

SUSTAINING THE BUSINESS INCUBATOR'S PROJECT

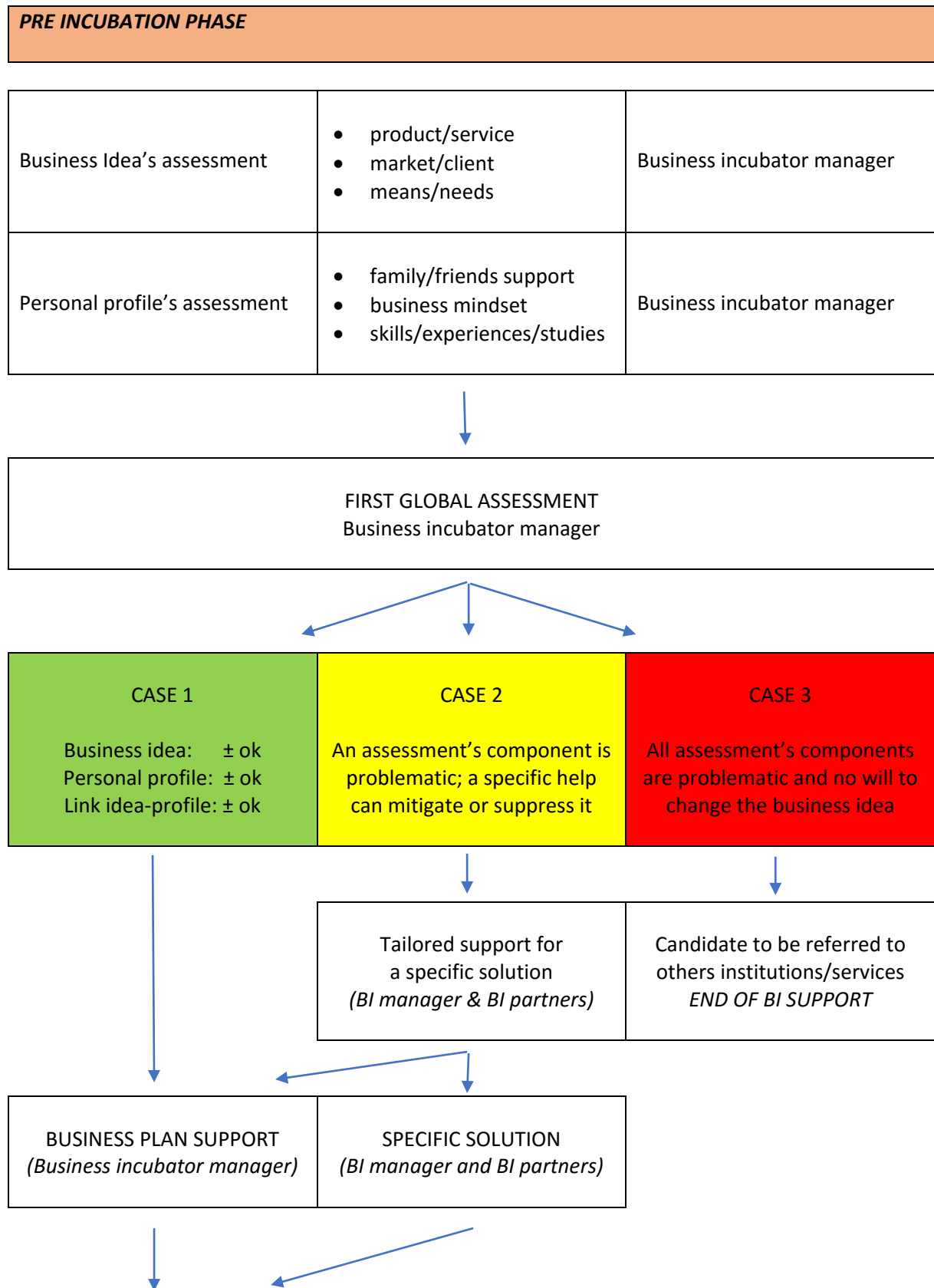
In addition to the professionals mentioned above, the incubator's network should also involve institutions and organizations such as public authorities with competence in economic development and equal opportunities, local authorities, universities and high schools, business support organizations, medium and large companies, civil society's organizations, ...

The aim here is to create and secure an adhesion on the business incubator's missions and activities as well as being able to mobilise resources, skills and funding.

SHARING EXPERIENCES AND CREATING BUSINESS DEVELOPMENT OPPORTUNITIES

Last but not least and too often forgotten, the business incubator should also build a network composed by the former incubated companies, the actual incubated business and others enterprises first of all to share experiences and then to stimulate business development opportunities.

ANNEX 1: STAGES, ACTIVITIES AND RESPONSIBILITIES OF BUSINESS INCUBATION



BUSINESS PLAN (drawn up)	<ul style="list-style-type: none"> • business concept • marketing plan • operational plan • financial plan 	Entrepreneur & BI manager & BI partners (if needed)
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BUSINESS START-UP	<ul style="list-style-type: none"> • financing/investment • legal formalities • ready to start ! 	Entrepreneur & BI manager & BI partners (if needed)
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INCUBATION PHASE

<p style="text-align: center;"><i>Scheduled</i> STRENGTHENING THE ENTREPRENEUR</p> <p>To propose:</p> <ul style="list-style-type: none"> • training & seminars on business topics • networking opportunities • peer groups, etc. <p>BI manager & BI partners</p>	<p style="text-align: center;"><i>Scheduled</i> BUSINESS PLAN FOLLOW UP</p> <p>To identify as soon as possible:</p> <ul style="list-style-type: none"> • divergences % forecasts • new opportunities and taking appropriate actions <p>BI manager & BI partners (if needed)</p>	<p style="text-align: center;"><i>On demand</i> BUSINESS SUPPORT SERVICES</p> <p>To organize a targeted support based on the entrepreneur's specific needs (temporary difficulties; opportunities of growth; any specific problem)</p> <p>BI manager & BI partners</p>
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BUSINESS IN CRUISING SPEED



POST INCUBATION PHASE

<p style="text-align: center;"><i>On demand</i> STRENGTHENING THE ENTREPRENEUR</p>	<p style="text-align: center;"><i>On demand</i> BUSINESS PLAN FOLLOW UP</p>	<p style="text-align: center;"><i>On demand</i> BUSINESS SUPPORT SERVICES</p>
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