

Innovation and Entrepreneurship through Business Incubation

The following brief has been developed and endorsed by the Global Business Incubation Network (GBIN) of national and regional Business Incubation associations for use with practitioners, policy-makers and stakeholders in Business Incubation

A brief overview

Business Incubation is a globally well-tested 50-year-old systematic approach primarily aimed at growth-oriented start-up enterprises to help them grow with the efficient use of business resources, to become sustainable and competitive companies. Additionally, in recent years, Business Incubation has begun to add value to more established enterprises that need to change.

Business Incubation is an essential development process for enabling innovation and entrepreneurship and it comes in all shapes and sizes. Business Incubation can be set up with very diverse objectives, including:

- commercialising ideas and research;
- generating employment;
- empowering the poor;
- regenerating and revitalising communities;
- encouraging and supporting innovation;
- creating export revenues;
- encouraging young graduates to create their own businesses;
- developing new industry sectors; and
- increasing competitiveness of an existing sector.

Sometimes aimed at technologically, socially and/or economically vulnerable individuals and their ideas, true business incubation adds real and measurable value to citizens, communities, regional and national economies by increasing the survival rate of new and fledgling enterprises, accelerating their growth, enhancing their competitiveness, creating wealth and sustainable high-value jobs and increasing the tax base.

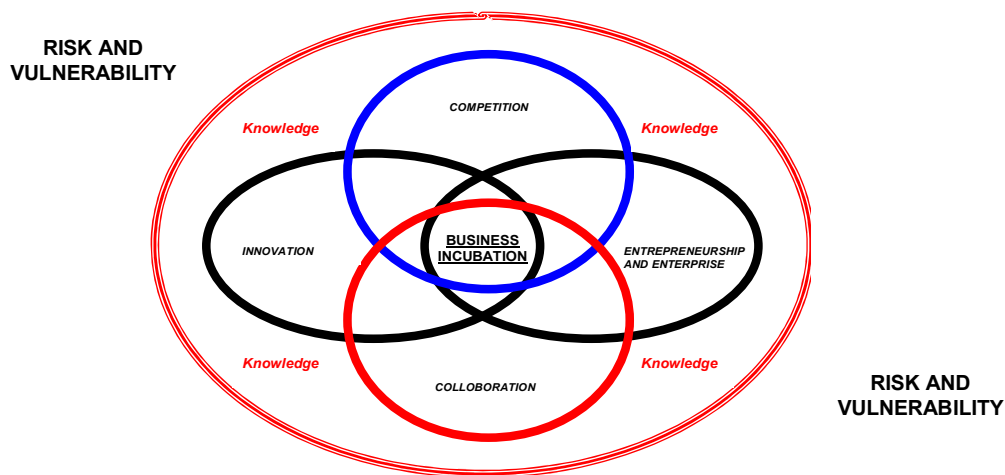
Business Incubation depends on a continuous relationship between the business incubation environment and the start-up entrepreneur leading to a point of sufficient maturity and 'graduation'.

Business Incubation is recognised globally by governments, practitioners and other stakeholders as a subtle, complex and fit-for-purpose process to support innovators and/or entrepreneurs through the early stages of their development and growth. It is designed to facilitate the creation of wealth and actively contribute to the sustainable socioeconomic development of communities both in established and emerging economies.

By bringing together like-minded innovators and entrepreneurs for a finite period (often in a physical environment) and concentrating and applying resources and support according to their needs, the needs of their enterprise and the needs of the wider environment in which they operate, survival rates are dramatically increased^{1,2}, individuals and innovations are motivated and aspirations raised.

Business Incubation is not an intervention, but rather a cross-cutting process embracing a range of components including business and entrepreneurial support and finance. Business Incubation practitioners are primarily leaders, not just managers, in that they *create an environment where others succeed*³. Success is measured by the success of Business Incubation client companies and the impact on the wider economic and social environment and community.

Business Incubation brings together behaviours, philosophies and activities and concentrates its efforts in a knowledge-rich, risky and entrepreneurial environment while reconciling competition and collaboration in a nurturing and developmental environment.



Business Incubation as a concept and a *philosophy*⁴ is not new. The gathering together of individuals and mentoring of their ideas in an informal nurturing environment has brought about many good and sometimes global enterprises throughout history. However, the increasing pace of global, environmental and social change has necessitated more scale and much greater acceleration and concentration of effort and resources to meet the challenges of the 21st Century and beyond. Changes to and within established and emerging economies require a new and more concentrated process - in the form of Business Incubation - that is mindfully proactive and formalised in order to ensure that the world's cumulative knowledge is exploited for individual, community, national and global socioeconomic and environmental benefit.

In addition to the immediate benefits that have been proven in the first few decades of Business Incubation (initially in the established economies), there are wider impacts that have been observed and recorded, notably, in the emerging economies. This "ripple effect"⁵ should not be underestimated and, where it is recognised and harnessed

¹ "75% of the enterprises incubated continued to operate 3 years after graduating" (World Bank)

² "...among incubation programs whose average age was nearly ten years, 87 percent of graduate firms were still in business" (NBIA)

³ Peter Harman (UKBI)

⁴ R M P Jawahar (TREC STEP India)

⁵ World Bank

provides a multiplier effect far beyond the immediate socioeconomic gain. True Business Incubation creates an attractive and conducive environment that draws out, harnesses and exploits potential and valuable ideas, innovators and entrepreneurs.

The components of and the rich 'cocktail' that is true Business Incubation are well documented across the members of the burgeoning international Business Incubation community represented by the Global Business Incubation Network (GBIN). There are now over 60 national association and regional network members of GBIN across the globe, representing many thousands of Business Incubation environments worldwide whose total client base exceeds 250,000 enterprises.

The impact of Business Incubation is widespread and many measures⁶ are used internationally to measure impact including:

- Business creation and survival
- Business growth and markets served
- Businesses created by minority or low-income individuals
- Cluster development
- Enhanced interest in academic achievement
- Environmental footprint
- Financial performance
- Horizontal and vertical markets development for products and services
- Innovations commercialized
- Investment in client companies
- Inward investment in local and national economies
- Jobs created and safeguarded
- Local economic diversification
- Presence of the incubator as a regional business support key player
- R&D
- Regional regeneration and social inclusion
- Socioeconomic impacts
- Tax and National Insurance contributions

⁶ UK Business Incubation Study (UKBI)

Appendix 1

Quotes supporting Business Incubation

- *" In the earlier millennia, India led the world on the basis of knowledge. Today history is repeating itself. Young Indian entrepreneurs are at the forefront of the infotech revolution, whether in Silicon Valley, Bangalore or Hyderabad. They have shown us how ideas, knowledge entrepreneurship and technology can combine to yield unprecedented growth of incomes, employment and wealth. Companies unknown five years ago have become world leaders. We must do everything possible to promote this flowering of knowledge-based enterprise and job creation." - Yashwant Sinha (Former Finance Minister of India)*
- *"According to an independent research study conducted for the U.S. Department of Commerce Economic Development Administration (by Grant Thornton), business incubators provide communities with significantly greater results at less cost than do any other type of public works infrastructure project. In the study of the economic impacts and federal costs of EDA construction program investments, researchers found that business incubators are the most effective means of creating jobs – more effective than roads and bridges, industrial parks, commercial buildings, and sewer and water projects. In fact, incubators provide up to 20 times more jobs than community infrastructure projects (e.g., water and sewer projects) at a cost of \$144 to \$216 per job compared with \$2,920 to \$6,872 for the latter, the report notes." (NBIA)*
- *"The (World Bank's) Incubator Initiative has supported more than 70 business incubators in over 50 developing countries worldwide with financial and technical assistance, leading to the establishment of five regional networks in Africa, Asia and the Pacific, East and Central Europe, Latin America and the Caribbean, and the Middle East, as well as a global network of 130 business incubators in 70 developing countries... infoDev's incubators focus on helping these entrepreneurs to build competitive businesses through the early, high-risk stages of development by providing business advisory services, mentoring and coaching, infrastructure, such as offices, electricity, and internet access, and linkages with financiers and other business stakeholders. infoDev's impact assessment reveals that these incubators have had a tremendous effect on realization of local innovation, SME and job creation, economic empowerment of women and youth, and on creating an enabling environment beyond the walls of the incubator that will benefit generations of entrepreneurs to come."(World Bank)*

- Appendix 2

Global Competences and Skills of Business Incubation Management and their Teams

