

EVALUATING ACTIVITIES OF BUSINESS INCUBATION CENTRE

Ajay Kumar Uprety

Daayitwa Fellow with Department of Cottage and Small Industries,
Ministry of Industry (MoI), Government of Nepal



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1. BACKGROUND

Business Incubator is a concept that supports start-ups by providing one-stop-solution. "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, and clustering and networking opportunities." Business incubators significantly improve the survival and growth prospect of new start-ups in multiple ways like cost-reduction, business facilitation, loan access etc. (Centre for Strategy & Evaluation Services, 2002)

A business incubation program is an economic and social program which provides the intensive support to start-up companies, coach them to start and accelerate their development and success through business assistance program. The main goal is to establish the successful start-up companies. In addition, the graduate companies' outcomes are jobs creation, technology transfer, commercialize new technologies and create wealth for economies.(Al-mubaraki & Busler, 2013)

Business Incubation Program (BIP) in Nepal is operated under the lead role of the Department of Cottage and Small Industries (DoCSI), Government of Nepal. BIP is a nonprofit program under government ownership, which has its own governing board comprising representatives from academia, I/NGO, technical and private sector. The BIP is located in the DoCSI premises. It has limited office space for in-house incubatees. BIP is one of the first incubation programs in Nepal. There were several skill building programs for entrepreneurs but rarely there were packaged program available for startup ventures. For a couple of years BIP was managed by private consultancy firm but now it is fully operated by DoCSI. One of the directors of DoCSI is the focal person for BIP. Currently, there are several other initiatives doing similar business like BIP that support new start-ups. Private sectors are also engaging in similar activities in minimum cost. Academic institutions like Kathmandu University has started incubation program.

2. LITERATURE REVIEW

According to the Technology Business Incubation toolkit, a business incubator is a shared “workspace with support services provided to selected start-up and early stage ventures to enable them to develop their product or services for entry into the market.” A business incubator provides services, facilities and a nurturing entrepreneurial environment to help businesses get established. Incubators create an atmosphere of interaction and the sharing of ideas, knowledge, and business networks. (Smith, 2014)

The goal of the incubation program is to support development by job creation. At the same time it helps in the growth of new ventures and fosters technological innovation. Incubation programs are in existence due to its several strengths. Some of the strengths are:

- **Economic Development:** Business incubators support start-ups psychologically that brings confidence in the entrepreneurs which leads to growth and economic development by creating jobs and fulfilling local economic losses.
- **Shared Basic Operating Costs:** Incubatees within incubator program share wide range of overhead costs including direct and indirect costs.
- **Consulting and Administrative Assistance:** Team of advisors arranged by incubator program and staff members can often provide insightful advice and information on a broad of business plan or any start up document.
- **Universality of Incubator Concept:** The concept of the incubator program is universal regardless of the size, shape, demographic segment of communities.
- **Access to Capital:** Incubation program can provide entrepreneurs with "access to the kind of early-stage capital" that emerging companies desperately need.

It is evident that despite of having several strengths of the incubation program it is not devoid of weakness. The incubators program may be lacking in financing for company, lacking personal economic resources for start-ups, limited technological literacy and so on, which may limit its business scope. (Allen and Rahman, 1985).

The benefits of a well-managed incubator is not linear rather it has ripple effects. For governments it is useful as the incubator helps to overcome market failures, promotes regional development, generates jobs, incomes and taxes, and becomes a demonstration of the political commitment to small businesses. For universities and research institutions, it helps in interaction between academia and general public through business, it promotes research commercialization and give opportunities to graduates to utilize their capabilities. For local community, it helps to boost their self-esteem and entrepreneurial culture. For international business it create opportunities of trade and technology transfer, better understanding of business culture and business psychology. (Union & Presidency, 2001)

These are several valid concerns about downside of the incubators like its dependency towards NGOs or government for its operations, catering only elite group etc. But it can be well tackled by effective policies and careful planning of the incubator and strong leadership.

3. OBJECTIVES

The objectives of the fellowship and specifically this evaluation are as follows:

- o To evaluate the activities of BIP by consulting with graduates and incubates of Business Incubation Program.
- o To explore the best practices of Business Incubation Program around the world and provide suggestions for improvement and/or replication in Nepal.

4. METHODOLOGIES AND LIMITATIONS

For the purpose of the evaluating activities of the business incubation program different methodologies were used.

- **Desk review and case studies:** Desk review for literatures related to incubation programs were conducted at the beginning of the study. The reports submitted by graduates were reviewed. Case studies of two graduates were conducted to understand the role of incubation program in their business.
- **Semi-structured interviews:** Semi-structured interviews with incubatees and graduates of incubation program were conducted. Five interviews were conducted out of which one was in-house incubatee. Four questions were pre planned basically to know their perceptions and their activities and several complementary questions were asked.
- **Process interview:** One interview was conducted with staff of incubation program basically to understand process of the incubatees' selection and graduation.
- **Participation in different events of business incubation centers and other entrepreneurship initiatives:** During the course of evaluation, several meetings and interactions related to incubation program were attended.

LIMITATIONS

This study is limited in several aspect. The access to reports of incubation programs were limited that restrict the evaluation so that it is focused more on interviews and observations. The study was conducted with in Kathmandu without field visits to incubatee outside Kathmandu.

5. FINDINGS

PROCESS

The study showed that the information dissemination about incubation program is limited and traditional. There was no any proof of use of social media in circulating information regarding the program and call for application, which limits its scope to only those who are newspaper readers.

The process of incubation program is like:



The selection process comprises pre-screening and interview before final selection in the program. The incubation cycle started once selection is completed. There are two options of incubation; virtual or in-house. Virtual incubatees are those who uses their own facilities (physical spaces) and in-house incubatees are those who are located in BIP, Tripureshwor, Kathmandu. In-house incubatees can use facilities available at office including office space, meeting rooms and internet etc. Though the services available are not as per the need of the incubatees. The facilities like printers, photocopiers and reliable internet are almost non-existence. The incubatees' gets opportunity of exposure visits, mentorships, guidance etc. It is found that the mentorship services are not that effectively used by incubatees. Most of the respondents said that they liked training but mentorship were rarely mentioned. Professional enhancement trainings were organized but it is evident that the course are not tailored and packaged. Respondent shared that post-graduation follow up is not satisfactory. They also shared that even during the course of incubation communication with virtual incubatees is not satisfactory.

DOCUMENTATION

The BIP has been in existence for long, but there is limited documentations available. Even, the periodic reports submitted by incubatees were difficult to access. Almost no efforts for analysis of these reports has been put to improve the program. Several studies have been done on success of program but no proper documentation was found. There is no any system in existence which can collect reports, analyses that and feed it for program improvement. Even the existing reports were not compiled properly. The infrastructure do not support preservation of such reports.

LIMITED BUSINESS AND LIMITED RESOURCES

The regular business of incubation program is limited because of limited resources. Even though the business incubation program has huge potential to facilitate new entrepreneur to initiate in market, there is challenge of limited resources.

COURSES FOR INCUBATEES

It shows that BIP program has conducted several trainings to incubatees, but the course is not structured. respondents were satisfied with individual courses as they believe that help them to proceed with their business but they also think it will be more practical and easy if the trainings are in one packaged course-like. There is a need of integrated and tailored course that can provide comprehensive skills to be a successful entrepreneur.

LINK UP

The mentorship is in existence but there is limited link up of incubatees with financial markets. The BIP incubatees' still are not unique loan applicants to banks or in equity markets. It shows there were not such steps taken to link up start-ups with financial markets.

MATRIBHUMI URJA PVT.LTD.

The company came into existence after Madhukar KC joined BIP and now the company has patented product also.

“Though the center’s incubation services do not include financial support, the incubate identity provided access to authorities when needed.” - Madhukar KC, Graduate of BIP (article in Business Age, June 2014)

WEBFUSION NEPAL

Was in house incubates and is specialized in web technology and provide cutting edge solutions to various kinds of clients for their wide range of requirements. Now functional with its own office space in Lalitpur. - www.webfusion.com.np

SIWAKOTI BAG UDHYOG

Recent graduate of BIP, bag udhyog is doing great progress with the learning from program. Khadananda Siwakoti shared that the number of staffs has increased when he implement his learning from program into his enterprise. Currently the company’s turnover is more than 10 million rupees.

4. KEY RECOMMENDATIONS

Following recommendations are drawn out of the study conducted.

TAILORED COURSE

The BIP should design tailored, integrated, comprehensive course that will be implemented to all the incubatees. Such course need to be implemented as starter course which later on followed up by supportive trainings.

COMMUNICATION SYSTEMS AND DOCUMENTATION

Communication between incubatees and BIP should be timely and with proper communication mechanism. The BIP should maintain proper documentation mechanism not to lose learning that may serve for future improvements. Also, it is critical to use new technology for communication and documentation purpose. It is recommended that all the documents of the BIP be transcribed into soft copy and stored safely. This may help in cleanliness of office also.

PUBLIC OUTREACH

For national program like BIP, public outreach should be effective and strong. Effective public outreach should be ensured, not just to attract more aspirant incubatees but also to prove the importance of such programs and to encourage similar initiations from non-governmental and private sector. It is recommended to do partnership with Universities, Cooperatives and communities to spread the message and to attract new ideas. Annual Idea drive could be useful for public outreach. Out of valley demand creation for incubation program should be conducted.

NETWORKING

Multi-level networking is crucial for BIP. BIP should have well-functioning network and partnership with academia, business sector, and graduates of BIP for mentorship. BIP should expands its network with international incubation programs to build its own capacity. It is recommended to have partnership with all national universities to increase demand of the program.

ANNUAL MARKET PLACE

The incubatees need to have access to financial markets for sustainability of their start-ups. BIP should organize annual marketplace for such incubatees and graduates, who can show case their potential business which can attract banks, equity investors and private funders. Such avenue helps to increase reliability of program and also confident of new start-ups.

IN-HOUSE SERVICES

With-out quality in-house services BIP cannot sustain and also cannot provide effective mentorship to incubatees. BIP should maintain creative office environment and conduct technological upgrade. Also, BIP should increase office spaces for in-house incubatees.

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- o Reports submitted by graduates of BIP.
- o Brochures of BIP

ANNEXES

ANNEX 1 - PERSONAL REFLECTION

This fellowship was one of the most important learning so far. I had worked with several agencies in private and non-governmental sectors nationally and internationally but the experience with government agency was completely different. Even though the nature of the work I did as part of fellowship did not provide daily public interaction but it helps to understand the public services sphere of Nepal.

At first it was bit difficult to get adjusted with in the environment. There was vast difference of my working style and the working culture of the office. But later on when I developed good personal relation with staffs of the office, it became easy for me to understand the environment. The office was with limited business and very limited public outreach. So, my experience was very limited too.

I found the office is not that tech-friendly like other government offices. The supervisor and other staffs of the program were supportive and friendly. It was great to work with government agency which is low profile but have high importance when we talk about economic prosperity.

ANNEX 2 - RECOMMENDED MODEL FOR BUSINESS INCUBATION PROGRAM



