

Challenges for incubation in developing countries

Good Practice

Successful incubation is not easy and requires a long term commitment from stakeholders, who will inevitably have to overcome many challenges along the way.

Objective

This article shares 20 relevant issues or challenges for business incubation in developing countries that were identified in the development of iDISC.

Key Issues

1. **Produce results that not only have an impact on the business incubator's regional location but which are also relevant to that region** - Business incubator programs that do not act as change agents in their nominated regions will not survive. Business Incubators must be attuned to development in their regions and, more importantly, they must be seen as agents of innovation and incentive for regional development.
2. **Create a clear, successful competitive strategy within a specific technological and market segment** - business incubators must be FOCUSED, with well-defined markets, areas of activity and technology segments. The proliferation of business incubation programs, in some regions and countries, has been criticized because there is no clear focus, procedures overlap and interference makes business more difficult by causing inefficient use of resources. In order to reflect changing markets over time, that focus may need to change.
3. **Create an environment favorable to business incubation** - the business incubator must be 'wanted' and 'owned' by the community in which it is located. At the same time, it must generate competitive companies that contribute to the region's development. Services such as credit, market access and technological development must be available.
4. **Contribute to public policies attuned to the reality and perspectives of an increasingly globalized world** - a challenge, faced by business incubators, is to serve as 'laboratories' which identify and test public policy solutions to increase business survival and success. The business incubator acts as a "microenvironment" that can simulate the essentials that have an impact on business development in a globalized world.
5. **Structure competent, innovative, sustainable management for the business incubator** – Business incubators must in their own right be examples of innovation, entrepreneurship and business, because their job is to contribute to the development of other companies. The full range of competent management skills are needed, ranging from marketing to client services and finance.
6. **Create mechanisms and instruments that advance technological innovation, particularly with universities and research centers** – A

progressively more important function of business incubators, especially in the developing world, is that of supporting universities and research centers in the design of new business undertakings. The challenge is to create novel ways of promoting this process and attracting teachers, researchers and laboratories in the planning and construction of new business ventures.

7. **Structure services that support the development and consolidation of these new business ventures** – Business Incubators need a portfolio of services that satisfies business expectations. This is not a trivial point because business incubation programs must quickly provide innovative and consistent services. Business Incubators must be “laboratories for new management and business strategy practices” so that they can effectively make a difference for incubated companies.
8. **Use ICTs that contribute significantly to management of the business incubation process and to development of companies** – ICTs have provided exceptional opportunities for improving business incubation processes. They make it possible to apply selection, monitoring and support in a much more inclusive, rapid and precise manner. Similarly, the incubated company’s progress can be accelerated since ICTs offer appropriate solutions for planning and control. ICTs can also assist development and implementation of dynamic marketing, research and development strategies.
9. **Provide the business incubator with an infrastructure suited to meeting company needs** – Although costly for the business incubator’s implementation budget, communications are an essential item for the success of a program. Infrastructure includes everything such as suitable office space, Internet and telecommunications support. It may even comprise sophisticated resources such as laboratories and videoconference centers and this can make a substantial difference to fulfilling the business incubator’s mission.
10. **Establish relationships and alliances that strengthen the business incubator and services rendered to businesses** – A strong, inclusive network for the business incubator will lead to stronger, more inclusive networks for the incubated companies. Therefore, the business incubator must plan and implement a network of partners and allies that can contribute to both the business incubation program and the incubated companies, thereby enhancing the conditions for growth and competitiveness.
11. **Train innovative, entrepreneurial and committed teams to conduct the business incubation process** – Business Incubator teams must become more professional and competent. No longer can business incubation programs be considered just an assistance activity or development test. Today, business incubators must be “companies that generate companies”, with well-trained teams that can provide effective and differentiated support.

12. **Adjust business incubation models to the economic, cultural, social and political realities of each region or country** – Aside from focusing on the market and technology segment, each business incubator must also identify a vocation and a model attuned with the other characteristics of the region. This will ensure that the business incubator and the incubated companies will have a competitive differential that aids maximization of the business incubation program's results.
13. **Identify sources of funding and business models that ensure business incubator sustainability** – The business incubation program must look for a sustainable model of operations. It must acquire all necessary and available financial resources and structure a balanced, consistent business model.
14. **Develop strategies to obtain financial leverage for the incubated businesses** – Strategies are needed to obtain resources for both the incubated companies as well as to sustain the business incubation program. Investment and financing are among the top three reasons for company failures in the first two years of existence. It is the business incubator's task to prepare companies for these difficulties, while also providing them with support in getting financial resources.
15. **Develop strategies that will make it possible for the incubated companies to develop their capacity to sell and generate business** – A basic cause of bankruptcies for new companies is a lack of marketing and sales ability. The basic mission of any business is to develop and sell products and services that respond to market demand and the business incubator must contribute to this mission by training companies and providing them with strategic and operational support.
16. **Create mechanisms and instruments for developing business incubators at the level of the local community, strategic entities and institutions** – The marketing of the business incubator as an organization is strongly correlated to the marketing of the incubated companies. The best way to market the business incubator itself is to generate successful companies. Acceptance of the business incubator by key community bodies is one way of contributing to the development of these companies.
17. **Structure collaboration amongst business incubators, with the overall aim of strengthening the movement** – The involvement of business incubators in collaborative programs and cooperatives is one way of promoting information exchange and generation of business networks. Collaboration will also assist political and institutional strengthening of the business incubator movement.
18. **Keep the businesses and business incubators up-to-to date on major international technological and market trends** – Business incubation programs must be planned, developed and operated in a globalized framework, attuned to major international technological and market tendencies. This will result in business incubation programs that generate outcomes that have important and lasting impacts .

19. **Insert business incubators and companies into productive chains and strategic clusters** – An effective way of ensuring that a business incubation program will produce results is to plan the business incubator so it stimulates and generates new companies in existing productive chains and industry clusters. These will then be able to carve out a niche within already structured clusters and strategic chains, thus overcoming barriers to the development of a new company such as market access, sales/distribution channels and technological development.
20. **Transform the business incubator into a symbol of entrepreneurship and innovation** – Entrepreneurship and innovation are two of the great challenges to modern society. The economies of emerging nations are heavily dependent on these for growth and quality of life. Business Incubators can and must position themselves as “symbols” of entrepreneurship and innovation, transforming them into references for local/national programs and generating strong companies that inspire future generations.