

**PROJECT
ON
BENCHMARKING OF BUSINESS INCUBATORS
IN SELECTED CEE & CIS COUNTRIES**

1. Project title: Project on Benchmarking of Business Incubation in Selected Central-Eastern European and Commonwealth of Independent States Countries.
2. Purpose: To collect best practices in business incubation in countries in transition and elaboration of guideline on how the design and establish such kind of business support institutions.
3. Project period: December 2005 – 31 August 2006
4. Implementing Agency:
 - (i) ERENET Entrepreneurship Research and Education Network of Central European Universities and
 - (ii) SINTEF The Foundation for Scientific and Industrial Research at the Norwegian Institute of Technology through ENTRANSE
5. Responsible project officers:

Dr. Antal Szabó, Scientific Director, ERENET, and
Mr. Gunnar Due-Gundersen, Chief of Operation, SINTEF
6. Project Committee:

Dr. Antal Szabó, Scientific Director, ERENET,
Morten Muus Falck, Project Director, SINTEF, and
Mr. Gunnar Due-Gundersen, Chief of Operation, SINTEF
7. Description of project:

The objective of the project is to support the design and establishment of business support institutions in transition and emerging market by analyzing the best practices in business incubation process in selected CEE and CIS countries. It is envisaged to prepare national presentations based on a methodology prepared by ERENET and SINTEF and organize a Workshop on Benchmarking Business Incubators at the Budapest Corvinus University (Hungary) with participation of the national experts, as well as Provide guidance on how to design and establish business incubator in those transition economies, which lag behind the transition to a market economy and creation of a sound SME-sector.
8. Participating countries:

CEE:	Croatia, Hungary, Poland, Republic of Serbia, Romania, Slovakia and Slovenia
Balkan region:	Turkey
CIS:	Armenia, Georgia, Republic of Moldova and Ukraine

Background of the Project

In the early years of transition, in many countries the activity of the Governments focused primarily on privatization and restructuring of large state enterprises, while SME supporting programmes were mainly initiated by international donors. By now the importance of SME national policy is clearly recognized both by Governments and entrepreneurs.

International expertise shows that among the many solutions proposed, Business Incubation seems to be one of the most effective means for assisting entrepreneurs in starting a new business, nurturing young enterprises, and helping them survive during the vulnerable start-up period. Business Incubators are one of the new approaches currently being tested to promote and support SMEs, which are almost always in the private sector, throughout the world. The results have been encouraging. Today around 4,000 incubators are in operation worldwide.

Business incubator provides entrepreneurs with a supportive environment to help “incubate” their business ideas. It provides services on a “one-stop” basis and reduces overhead costs by sharing facilities, so thus significantly improve the survival and growth prospects of start-ups at an early stage of development.

The Norwegian Ministry of Foreign Affairs (NMFA) is financing SME Development Program in many transition economies implemented by SINTEF’ (The Foundation for Scientific and Industrial Research at the Norwegian Institute of Technology) ENTRANSE Programme. Setting up a network of national business incubator programme has been launched in the Republic of Serbia and the development of similar programme is in progress in the Republic of Moldova. The Armenian Incubation Development Regional Workshop held on 4-5 November 2005 highlighted the need for a systematic approach in development of business support institutions including business incubators in many transition economies.

The business environment presents obstacles to both SMEs and business services institutions. This statement is especially relevant for countries in transition where the major preoccupation lies with improving the legal and regulatory framework for business support services. Therefore, it can be concluded that associated countries and countries in transition are at different stages in the provision of business advisory, counselling and information services, with more sophisticated business support services being offered in the associated countries.

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It is generally recognized that start-ups should get at least one free consultation. Services are usually delivered by people with commercial/business backgrounds. They are tailored to company's needs and stage of development, e.g., start-ups, established and growth companies would require different services.

At time being there are not standardized method how to create business incubator. There is a lack of having an analytical benchmarking on the success factors on business incubators and recommendation on how to make it sustainable in the transition economies. On 3-4 June 1999 the UNECE organized an Expert Meeting on Best Practice in Business Incubation, The Secretariat established a **Team of Specialists on Business Incubation**, which created the first UNECE Guide on Best Practice in Business Incubation in 2002. This Guide was based on current experiences on the newly established business incubators, while there were not sufficient experience to make comparative analyses and benchmarking.

In 2001, the European Commission's Enterprise Directorate General undertook a project on "Benchmarking of Business Incubators" in order to define benchmarks for business incubators relating to their performance with regard to management and promotion and provides assistance to participating business incubators by producing guideline on achieving benchmarked performance and examples of best practices. The Final Report was published in February 2002.

Justification of the Project

From 1989 we are the eyewitness of a political and economic transformation in Europe and on 1 May 2005 a first EU enlargement took place from East when former centrally planned economies following the road to a market economy became a full member of the European Union. In connection with this, the ERENET Network of the cooperation among SME Research- and Educational Units of Central European Universities was created at the Budapest Corvinus University in April 2005. After that many research institution and university signed the intent-declaration, and notified the intention of cooperation. The signatories of the declaration accepted that education plays a significant role in brand new Central and Eastern European entrepreneurs closing up and becoming equal competitors of their more fortunate and well established Western European partners. **Taking advantage of international comparisons is of great importance in research issues** such as the investigation of enterprises' operation circumstances with special regard to good governance, enterprise-friendly economic and social environment, means of intensifying competitiveness, administrative burdens of operating enterprises and enterprises' financial environment.

Business incubation is still a relatively recent policy tool for local enterprise and employment development. There is no standardized and internationally accepted consistent definition on this term. One should learn from the "Best practice" concept. No definitive models yet exist which provide convincing templates for institution building.

Having this in mind and relating this to ENTRANSE, the following could be forwarded

The objective of the ENTRANSE program, operated by Sintef, The Foundation for Scientific and Industrial Research at Norwegian Institute of Technology, in cooperation with Serbian Agency for the Development of Small and Medium-sized Enterprises and Entrepreneurship is to support Government of Serbia strategies related to poverty reduction, employment and efficient program implementation. This, by contribution and targeted practical activities within a range of activities such as incubator and technology park establishment.

One incubator, a production oriented incubator in Nis has already been successfully launched, the ENTRANSE National Program calls for the establishment of additional 10 incubators and 3 Parks in Serbia over a five years time period. To quality secure the development of the existing incubator and secure correct profile and range of operation of new incubators it has been decided to benchmark existing incubators in related transmission economies, thus correlate with similar business and legal environments. This is an exercise not implemented before, thus, with high expected value of results. This exercise is regarded as vital in the process of carrying incubator establishment in transition economies forward.

Defining benchmarking is important tool in order to analyze the key success factors and criteria of sustainability of business support institutions. In countries in transition and emerging market economies no systematized research was carried out on this subject. SINTEF and ERENET decided to launch a project on benchmarking business incubators in selected Central-Eastern European (CEE) countries and the Commonwealth of Independent States (CIS).

Development Objectives

- Review the role of business incubators within the framework of general business support institutions in selected CEE and CIS countries;
- Describe the role of incubators as practical tool in innovation;
- Define criteria of sustainability and key success factors of business incubators;
- Present the value of incubators as focal point in the establishment of technology and industry parks;
- Define major benchmarks for business incubators; and
- Provide guidance on how to design and establish business incubator in those transition economies, which lag behind the transition to a market economy and creation of a sound SME-sector.

Immediate objective

The immediate objective of this project will be the analysis of the various forms of national SME policies and institutional frameworks developed in a selected country of a programme with special emphasis on creation and launching of business incubation process and operation of business incubators, science and technology parks.

Immediate Objective 1: Preparing Questionnaire on Business Incubation

ERENET and SINTEF are preparing a Questionnaire on Business Incubation in selected CEE and CIS countries. The research primarily focuses on business incubator programmes. Science and technology parks will be a subject of a possible other project. National experts will be selected based on experiences in the field of SME policies and development of business support infrastructure. This Questionnaire should be filled out and sent to the Secretariat of the ERENET.

The questionnaire should be filled out and sent to Dr. Antal Szabó (e-mail: antal.szabo@gmail.com) and the ERENET Secretary to Mr. Attila Petheo (e-mail: info@erenet.org) as soon as possible, but not later than **30 April 2006**.

Immediate Objective 2: Organizing Workshop on Benchmarking of Business Incubation

ERENET will organize a Workshop on Benchmarking of Business incubation at the Budapest Corvinus University at its Small Business Development Center, which provides premises and facility also for the Network. National experts preparing the national presentations will be invited to make presentation, members of the ERENET will be invited to discuss the national presentation and elaborate modalities of designing and establishing business incubators in transition economies and strengthening the operation of existing business support institutions in these countries. The presentations and recommendations will be inserted on the ERENET web-site on <http://www.erenet.org>.

Implementation of the Project

This project is coordinated by Dr. Antal Szabó, UN retired Regional Adviser on Entrepreneurship and SMEs, and Scientific Director of ERENET, in cooperation with Mr. Gunnar Due-Gundersen, Senior Adviser of the SINTEF Technology and Society International Operations. If you have any question please do not hesitate to contact Dr. Antal Szabó by e-mail at antal.szabo@gmail.com or Mr. Gunnar Due-Gundersen at Gunnar.Due-Gundersen@sintef.no.

The address of the ERENET Secretariat is as following:

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