

A NEW APPROACH REGARDING THE INCUBATION OF SMEs IN THE SPECIFIC FIELD OF RESEARCH AND DEVELOPMENT

Ana Mihaela BRĂDEANU¹,
Adriana NICOLAE², Carmen ILIN-IANCU³

Rezumat. Realizat în cadrul proiectului „Promovarea Spiritului Antreprenorial prin sprijinirea activităților de cercetare - dezvoltare în cadrul PITEȘTI BUSINESS HUB – PROSANT” finanțat prin POR 2014-2020, incubatorul de afaceri sectorial ce urmează a fi operațional la începutul anului 2024, va incuba cel puțin 16 IMM-uri având ca obiect de activitate cercetare-dezvoltare. Imobilul destinat centrului de afaceri se face prin reconversia unui imobil existent, aflat în patrimoniul UAT Municipiul Pitești. Operaționalizarea noului incubator de afaceri va fi făcută ținând cont de experiența anterioară a unor instituții similare europene dar și din România, de ghidul elaborat de EBN (European Business and Innovation Centres Network) – publicație EU, de recomandările făcute de Curtea Europeană de Conturi în urma auditului efectuat pe un eșantion de incubatoare, din patru state membre, finanțate prin FEDER precum și de nevoile specifice zonale de dezvoltare.

Abstract. Carried out within the project "Promoting Entrepreneurship by supporting research and development activities within PITEȘTI BUSINESS HUB - PROSANT" funded by ROP 2014-2020, the sectoral business incubator to be operational in early 2024, will incubate at least 16 SMEs in the field of research-development activity. The building destined for the business center is made by reconverting an existing building, existing in the patrimony of UAT Pitești Municipality. The operationalization of the new business incubator will be done taking into account the previous experience of similar European and Romanian institutions, „The Smart Guide to Innovation-Based Incubators” developed by EBN (European Business and Innovation Centers Network) - EU publication, the recommendations made by the European Court of Auditors following the audit of a sample of ERDF-funded incubators in four Member States as well as specific area development needs.

Keywords: Business Incubator HUB, PROSANT

1. Introduction

A new business incubator will be developed following the financing of the project "Promoting Entrepreneurship by supporting research and development activities within PITEȘTI BUSINESS HUB - PROSANT" within the call for proposals POR/165/2 - Regional Operational Program 2014-2020.

¹ Pitesti City Hall, Pitesti, Romania (anamihaelabradeanu@yahoo.com)

² “INCERTRANS S.A.”, Bucharest, Romania, (adriana.nicolae@incertrans.ro).

³ “INCERTRANS S.A.”, Bucharest, Romania, (carmen.ilin@incertrans.ro).

The financing contract was signed in December 2019 and will be completed in October 2023. In accordance with the financing contract, the business incubator will be operational by the end of September 2023. INCERTRANS, as Administrator of PROSANT, intends the incubator to be operational at the beginning of 2024, to find in the headquarters in Pitesti the first incubated companies.

2. A short history of business incubators

The first business incubator was created in 1959, in Batavia - New York, by Joe Mancuso, by transforming a former chicken hatchery, with an area of 80,000 square meters that he failed to rent in its entirety, transforming into more small and addressing another segment of tenants, smaller ones, to whom he offered unusual perks: short-term leases, shared office supplies and equipment, business and secretarial advice. If the business needed a line of credit, Mancuso help arrange it with a local bank.

The similarities between his work and that of the chicken hatchery made Joe Mancuso to describe his work to a reporter with this words: "I guess we're incubating businesses."

Since then, the incubation process has become a real industry, leading to the existence of many incubators and their associations [1], [2], [3].

The largest of this associations, The National Business Incubation Association (NBIA) - USA, founded in 1985, is a nonprofit organization comprised of business incubator developers and managers, corporate joint venture partners, venture capital investors and economic development professionals. Today, there are an estimated 900 NBIA - affiliated business incubators in operation across the United States as well as affiliates in 40 countries.

In Europe, EBN – European Business & Innovation Centre Network, is the leading non-governmental pan-European network, bringing together Business & Innovation Centres (BICs) and similar organizations such as incubators, innovation and entrepreneurship centres across Europe.

The first business incubator in Romania was created in 1992 by the instrumentality of the Ministry of Research and the Research and Design Institute for Machine Building Technology.

In Romania, the current legislative framework is provided by Law 102 of 2016 on business incubators, in order to regulate the legal regime of establishment and operation of business incubators, in order to create new jobs, diversify economies and develop an entrepreneurial environment in local communities.

2.1. About EBN and EU|BIC trademark

EBN is a network of approximately 140 business and innovation centres (certified by EBN as EU|BICs) and other 40 organisations that support the development and growth of entrepreneurs, start-ups and SMEs.

1984 – first EC-Business Innovation Center opened in Liege, Belgium

2002 – The European Commission officially granted EBN the executive licence of the EC B.I.C. trademark

The EU|BIC Quality Trademark officially-recognised standard of innovation-based incubation and acceleration. The EU|BIC trademark certifies that an organization is able to provide resources and services to entrepreneurs in need to innovate either products or processes (Fig. 1).



Fig. 1. EU|BIC trademark

Till now, no institution from Romania joined EBN.

During the operationalization period of the incubator, the benefits of joining the EBN will be analyzed.

2.2. Incubator performance in Europe / Romania

Small and medium-sized enterprise (SMEs) are important for creating new jobs and attracting workforce worldwide. In Europe, it is estimated that 67% of European employees are in the 20.7 million SMEs, producing 58% of gross value added. That is why the legislative and financial support of SMEs has been a political priority, through dedicated programs.

The statistics performed by EBN on the activity of SMEs and their survival rate (at 3 years), show that the incubated companies have a higher survival rate, respectively of 90% compared to the average of 56%. (according to EBN, Eurostat)

Since 1990, funds have been granted for incubators and for SMEs, both European funding and support through national funds:

National: IMM Invest, guaranteeing loans for companies through the National SME Credit Guarantee Fund, SME grant support schemes, Start-Up Nation 2020, Microindustrialization Program 2020, bank loans between 4,000 and 200,000 lei from BT Mic, a company from within the Banca Transilvania Financial Group, intended for lending to small businesses, financing line for the digitization of SMEs from sectors other than ICT (POC 2.2.2).

Europa: european funds from 200.000 euro to 1 milion euro, through the financing line POR 2.2 IMM.

In recent years, the EU has co-financed business incubator projects in the context of its cohesion policy with the support of the European Regional Development Fund.

The number of co-working spaces, incubators and business accelerators in Romania is completed every year with new initiatives of this kind (Fig.2).



Fig. 2. EY 2019 – Map of coworking spaces, incubators and business accelerators in Romania

3. Incubator development strategy PROSANT

Given the existence of business incubators for over 35 years, the development of a new incubator must be done taking into account the experience gained, the guides of good practice, the evaluations / audits made by EBN and ECA, the specific legislation as well as the barometers on the activity of SMEs.

An IBI should not proceed alone in his mission, so agreements must be put in place with organisations that can actively contribute to the development of the IBI and to the main role – sustainable activity, new jobs and regional development. The main organisations that will be involved:

- Chambers of Commerce and Industry
- Regional / Local agencies
- Municipalities communities
- Governmental agencies for SME
- Banks specialised in SMEs financing
- The University of Pitesti

The EY study - now in its 3rd edition, reveals the importance that Romanian startup entrepreneurs give to business incubators and the activities they can give in an institutionalized setting - respectively mentoring programs, meetings and workshops, specific training programs, consultants, networking, etc (Fig.3).

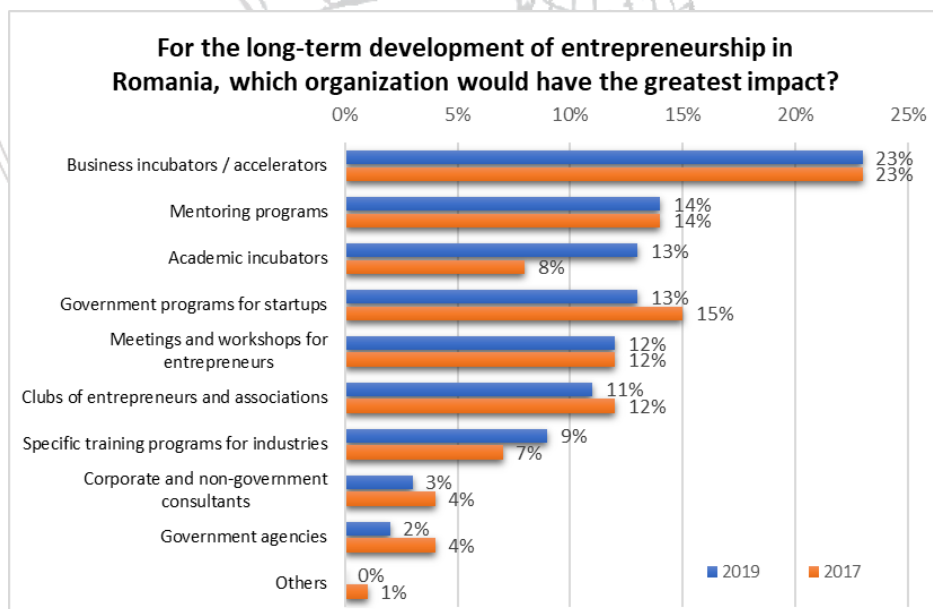


Fig. 3. EY 2019 – study - 128 respondents in 2019, 156 respondents in 2017

There are three stages of incubation (Fig. 4) [2]:

Pre-Incubation	Incubation	Post-incubation
<ul style="list-style-type: none"> • Innovation assessment • Business plan preparation • Training 	<ul style="list-style-type: none"> • Access to finance • Coaching, mentoring and training • Physical hosting, labs and workshops • Commercialisation • Advanced business planning • Association of business partners 	<ul style="list-style-type: none"> • Business development • Internationalisation • Clustering • Networking
Business idea	Start-up company	Sustainable SME

Fig. 4. The three stages of incubation (ECA based on the “Smart guide” - European Commission)

INCERTRANS, in its capacity of administrator of PROSANT, will establish the selection criteria of the companies that will enter the incubator, the services offered during the incubation period as well as the post-incubation monitoring. All these will be established in the Regulation of operation of the incubator and taken over in the incubation contracts that will be concluded with the tenants.

The pre-incubation phase will have to be differentiated for startups already set up from those to be set up based on innovative ideas - eligible for development.

Assistance in creating a startup will need to include forms of support for overcoming bureaucratic hurdles related to company registration - all the more so as it is possible to have entrepreneurs at the first private business initiative, and bureaucracy is still considered an obstacle in initiating or developing a business in Romania [4]. (The profile of the startup entrepreneur shows a preponderant average age of 22-35 years - 63%, coming from a corporation or a small company - 69%, at the first startup - 71%: EY 2019 study - 128 respondents) (Fig.5, Fig.6).

The services that the incubator will offer must cover the main needs of the entrepreneurs [5], [6].

When defining the services to be provided to the incubated companies, the market studies and the recommendations of the consulting companies with activity in the field will be taken into account [7], [8], [9].

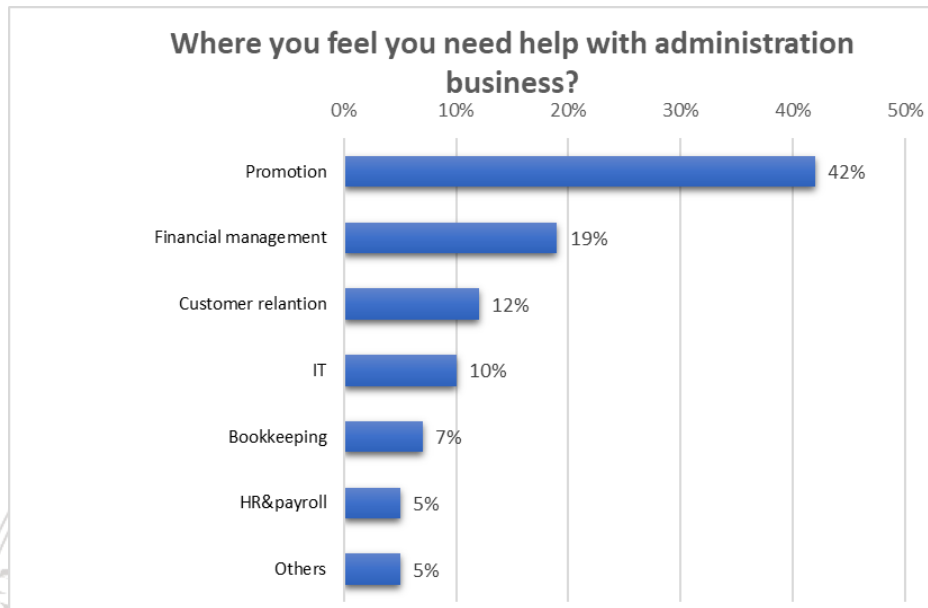


Fig. 5. EY 2019 – study

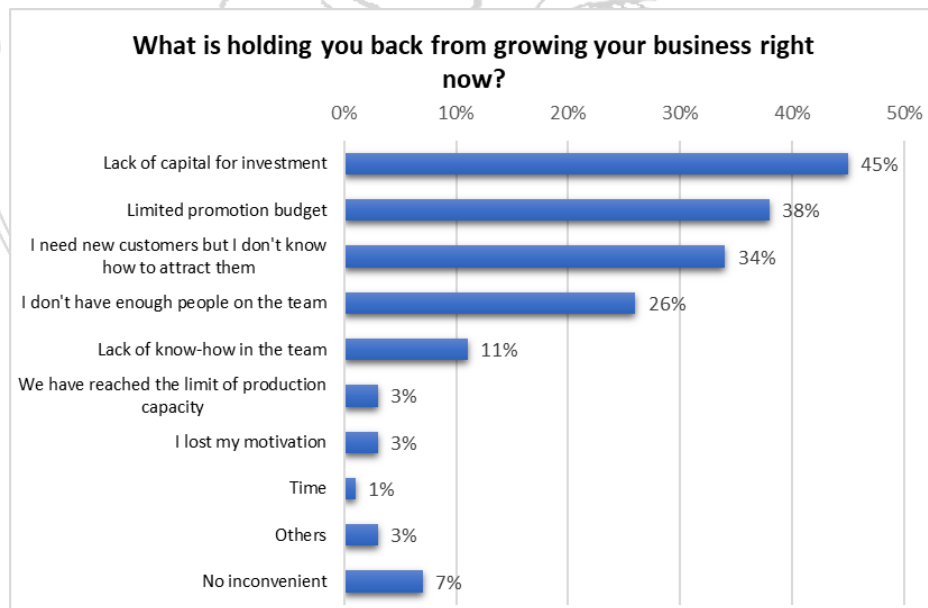


Fig. 6. EY 2019 – study - 128 respondents in 2019, 156 respondents in 2017

Source: ECA benchmarking data for 2011

- Identification of target clients
- Risk analysis support
- Entrepreneurial skills assessment support
- Business planning support
- Business modelling support
- Financial planning support
- Fundraising support
- Rental of incubation space
- Assessment of training needs
- Delivery of training
- Start-up services

At least for the first year of operation, the incubator should have no financial constraints and no main objective of generating income in order to focus on providing quality services to SMEs with high development potential. The goal of generating immediate income could lead to lighter eligibility criteria for center administration or for risky initiatives with low long-term development potential.

The European Court of Auditors makes the following recommendations.

The Commission should require Member States to make authorisation for the establishment of new incubators using EU co-funding dependent on the following considerations:

- (a) Business incubators should be established on the basis of detailed and realistic business plans, paying particular attention to the sustainability of their non-profit incubation activity.
- (b) From the outset, incubation activity should be carried out by suitably skilled staff who can provide relevant individual support to clients and potential future entrepreneurs.
- (c) Incubators should proactively seek and acquire new clients irrespective of their geographical origin, focusing on those with innovative business ideas with high growth potential in order to maximise the efficiency of public funding and therefore the value added by EU funds.

Recommendation 1

- (d) The incubation process for each client company should start with the preparation of a detailed, tailor-made incubation programme. The implementation of this programme should be followed up, and the degree to which the business's objectives have been achieved should be assessed.
- (e) Incubators should offer their services to non-resident companies, thereby allowing incubation support to have a larger impact on the local business community and improving possibilities for networking.
- (f) Incubators should set up a monitoring system based not only on the data obtained from their own activity, but also on business data produced by supported clients.

Recommendation 2

The Commission should require Member State authorities to incorporate the following elements into the design of the procedures for selecting and supervising ERDF co-financed incubator projects:

- (a) In the project selection criteria, greater emphasis should be placed on the expected results of the projects rather than on the delivery of physical outputs.
- (b) During the project assessment process and when contractual obligations are being defined, more use should be made of expert knowledge of business incubation activities.
- (c) The level of public support should be based on the defined results forecast for the incubator project. The value of ERDF payments should be linked to the results achieved by the incubator.
- (d) The sustainability period should be adjusted to correspond to the actual life cycle of the business incubator assets co-financed by the ERDF.

Recommendation 3

The Commission should:

- (a) update its knowledge concerning the effectiveness and efficiency of business incubation, and should apply this knowledge with a view to ensuring that ERDF support is well-adapted to the needs of the business incubation sector;
- (b) resume its efforts to support the community of business incubators, and in particular those in receipt of EU support, for instance by organising knowledge and experience exchange with responsible bodies in Member States. The initiative should target all business incubators, which could present their success stories, exchange knowledge and access peer support at European level.

The local public administration of Pitesti Municipality will support the activity of the incubator, by creating the following facilities:

- a business environment favorable to the development and growth of SMEs in the Municipality of Pitesti;
- promoting entrepreneurial culture;
- consolidation of a dynamic private sector, able to face competitive forces and international competition;

- supporting the development of innovative SMEs capable of using efficiently the existing resources and which, at the end of the incubation period, will be in a financially stable situation;
 - development of a business infrastructure capable of coping with competitive pressures;
 - favoring the access of incubated SMEs to information, professional consulting services, financing sources, as well as to other specific services and equipment;
 - correlation of the activities of the Business Incubator with those of the existing economic operators in the area;
 - programs for the business environment;
 - supporting the realization and consolidation of partnerships with educational units, universities and economic agents,
 - collecting, processing and disseminating data and information, subject to the protection of those of a confidential nature in order to create databases on SMEs in Pitesti and in the county;
 - collaboration with professional entities (organizations) for editing, printing and disseminating specific publications, organizing symposia, conferences, seminars, workshops to promote the activity of the incubator and incubated companies;
 - organization of fairs, exhibitions, conferences, seminars, upon request;
 - organizing information exchanges with business incubators in Romania and abroad for the creation of business incubator networks;
 - creating partnerships with educational institutions, universities and economic agents, and participating in the improvement of the legislation that influences the activity of economic agents;
 - informing and preparing incubated companies for integration into the European Union by:
 - dissemination of general information on the European Union;
 - ensures the collaboration with the representatives of the prefecture, the local public administration, of the regional development agency as well as of the associative structures of the SMEs at local level for the elaboration of the Integrated Strategy for the development of the business environment from Pitesti municipality;
 - performs, in partnership with the Chamber of Commerce and Industry of the Municipality of Pitesti;
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- supporting important economic events in the Municipality of Pitesti (eg International Conference on Economics and Business Management, which would aim to bring together universities, innovative companies and industrial experts in the field of economics and business management on a common forum).

Conclusions

The Business Hub PROSANT aims to contribute to strengthening the market position of SMEs in competitive fields and to short and medium term economic development, a solution that will overcome the obstacle to capitalize on a recognized competitive potential on the market, as follows:

- Development for small and medium-sized enterprises (SMEs)
- Creating a business environment favorable to the development and growth of SMEs (custom logo according the development region – Fig.7)



Fig. 7. Logo proposal for PROSANT Incubator

Acknowledgment

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Notations and/or Abbreviations

SMEs: Small and medium-sized enterprises. This category comprises enterprises which employ fewer than 250 people and which have an annual turnover of less than 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro.

Start-up: A newly created company or a partnership which is carrying out the initial development of its product or service and conducting market research.

ECA: European Court of Auditors

Networking: A business activity which involves businesspeople and entrepreneurs establishing personal contacts and arranging business opportunities

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