

# **BENCHMARKING OF BUSINESS INCUBATORS**

**in Romania**

by

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## **BENCHMARKING OF BUSINESS INCUBATORS in Romania**

The data and analyses presented below are based on answers of the ERENET SINTEF project on benchmarking of business incubation questionnaire sent to active business incubators in Romania. Concerning the fact that in Romania, BI's appeared only after 1991, and most of them survived only during the financing time, and from them only two or three are functioning in present too (the others appeared and in short time disappeared). On the other hand became operational some BI's only from last year. So this phenomenon explains that we don't have significant results on national level concerning the answers received.

### **1. Does a business incubator need to have a business plan prior its establishment?**

According to the recent Strategy for Stimulating the Development of BI in a National Network, based on GD. No. 260/2006 it is necessary to elaborate a business plan before creating a BI .

The business plan, mainly, contain:

- types of services provide. It will be necessary to indicate the permanent services offered in BI and those which will be acquirable from outside, the main characteristics of them in terms of each client specifics, prices policy, types of results, the established indicators;
- the rules of BI function, criteria's of admitted in, the rent, the policy of exclude from incubator, economical analysis (costs and incomes from rent and provide services);
- the marketing strategy, types of business which will be incubated, aspects of sustainability the BI on long term.

All the BI questioned has a business plan, elaborated before starting their activity.

### **2. What are the criteria of success of a business incubation process?**

The most important criteria of success of a BI, resulting from study are the follow:

- A competent management team, who can assure modern and adjust solution according to the incubate proposals;
- Marketing policies adequate to the local, regional, national or international specific;
- Turning to the account the research potential, especially of universities and research institutes and creating a portfolio of patent;
- The access to national or international networks and to partnerships, regarding the organizations and institutes which assure necessary support of development of small enterprises. This category is starting with suppliers of services and till public authorities or international organizations;
- The existence of an adequate legislative frame, which should establish a stable and clearly environment for development of BI;

The calls for tenders, regarding the assurance of a high level of business performance;

- Adequate procedures, which are in concordance with the ideas issued from incubated firms;
- The assurance of consulting services in concordance with each step from incubates period.

### **3. What kind of services should a business incubator provide?**

According to the local community needs, the services provides by o BI are:

- Business infrastructure, facilities offered to entrepreneurs at low costs, usually buildings, locations for work, offices, location for exhibitions. This structure has to be flexible and

designed in accordance with clients needs. The degree of flexibility depends on the policy of let-out the from incubator;

-Consulting and training services with a high add value, offered individual and at subventions costs;

-To assure common facilities and the necessary equipments. In this category are included: access to internet network, conference hall, equipments for offices, secretariat services, laboratories;

-To assure the utilities, at reasonable prices, without initial costs for connection;

-To assure the fast access and visibility. The visibility represents an important element for BI because they have to operate as catalyses for local community.

Based on frequent failures of BI created in first years of ninth decade, the Romanian Government established through the GD no. 260/2006, the main types of consulting services provides by a BI.

The consulting services are divided in chronological way, according with the average period of incubation, in following types:

-At first for create the firm, through sustaining potential entrepreneurs for starting their own business, to elaborate a business plan and assuring the first phase of finance;

In the first year of functioning, according law consulting, accounting services, marketing services and the second phase of finance;

-Start-ups being in the second and third year of functioning, the services provided are: management consulting, promoting exports and reducing the costs of finance support from BI.

#### **4. How long incubation period to chose for a tenant?**

The average for provide the services mentioned above is three years. In accordance with kind of services provided, the period varies between few months and maximum five years.

#### **5. How many incubator place do you need and what kind of facility?**

In Romania the incubators provide space in average for 11 tenants, less than the EUBIC average which is 34 tenants for each incubator (see [6]).

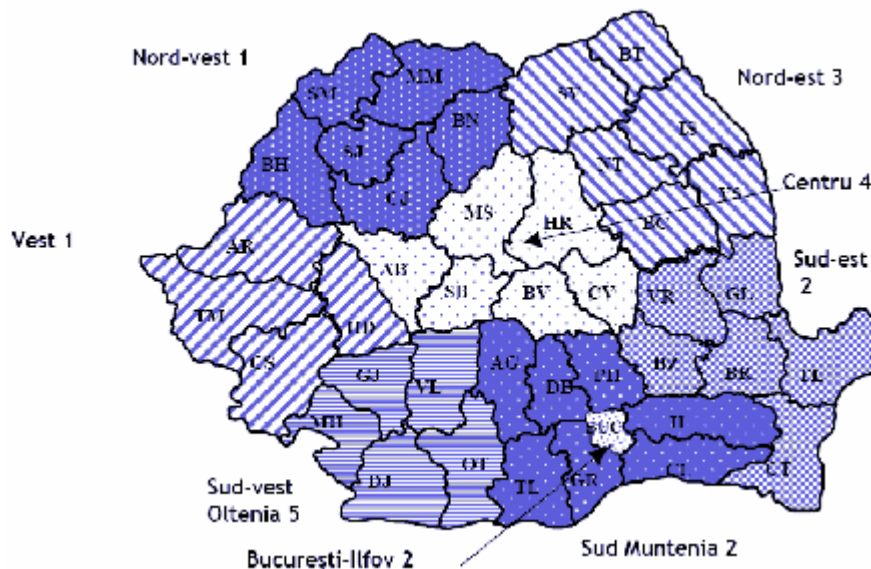
All the BI's offer professional services concerning on: business planning and forming a company. Exists 3 incubators which don't offer places for offices but its have conference rooms and facilities for professional trainings.

10 incubators offer services in ICT.

The services which offer BI's on a decreasing scale are: office, secretarial, business advisory, teaching facilities, conference rooms, meeting rooms, modular space, training, security and cleaning, ICT services, waste management, laboratories (see [6]).

The incubator place depends on the activity domain of the incubated business. The BI's are situated in regions with low level of economical development.

The numbers of the BI's situated in different regions we can see on the map and the unemployment rate for each region is : 4,2 % North-vest ; 5,2 % Vest; 6,9 % South East; 7,4 % South-Muntenia; 7,5 % South-Vest Oltenia; 7,8% North-East; 7,8% Center; 2,8 % Bucharest.



**Figure 2.1. Distribution of BI's in regions**

Source: [www.mimmc.ro/raport\\_anual/acces\\_servicii\\_sprrijinire/](http://www.mimmc.ro/raport_anual/acces_servicii_sprrijinire/) Retrieved from WWW April/10/2006

## 6. Who are the stakeholders/local alliances of the business incubators?

The stakeholders/local alliances of the business incubators could be The County Council, The Local Council, Commerce and Industrial Chambers, patronage associations, agencies governmental and nongovernmental, universities and the business community, universities, research institutes and domain ministries.

Based on data received from BI which activate in Romania, most of stakeholders are relying on partnership between universities, institutes of research, national domain agencies. Only in few cases there are individual natural persons, as inventors or natural independent persons.

For example, for one BI there are as stakeholders The National Research – Development Institute for Metals and Radioactive Resources, Bucharest University and National Company of Pit coal.

## 7. How to finance business incubators?

The source of funding are: subsidies – EU and other international agencies, national authorities and public agencies, payments from banks and other private sector organizations, payments from universities (INFRATECH) and other R&D organizations, rental income and other incubator charges, service contracts, investment income other sources.

According to the answers of BI's it shows that the main finance resources are from rental income, private consulting, special services, governmental or local contribution, from training activities, from national or international projects, and subsidies.

The BI needs to function laying on commercial principles and trying to pursue constantly financial performances. The financial engagements of they clients has to be quantize in order to reduce the risks.

It has to be specified the financial sources and to what extend this facilities is administrates in an independent mode. Also, it is important as the operational purpose of BI to be the one which generates jobs and increasing competitiveness though sustain the development of viable business and not to be a purpose of social nature.

## **8. How to create clusters and network of enterprises?**

The first generation of BI, according with the evolution in EU, mainly is centre upon assuring space and common facilities for tenants, which is the situation, till now, of BI in Romania. Just from now on will be possible to assure conditions of develop clusters or network of enterprises in our country. So, Romania didn't achieve the stage of development of the SMEs for creating such kind of categories. [7]

## **9. How to select the best possible incubator manager?**

The BI management is one of the most important factors in assurance the success on long term. The ability of management team on creating and maintain a positive business environment and necessary culture on long term are the key factors. The team management has to be selected before starting the activity of BI in order to assure coherent and unitary rules for all BI clients.

The management has to be assuring in a transparency manner by selecting the administrative company on an open public auction procedure, without discrimination. According to NAMSEC studies, it was revealed that only 16% of managers of BI followed specific professional training. The managers of BI consider that the success of a BI is based on renting locations for adequate and well outfit offices, but offering consulting services as the main important part of a BI activity.[6]

## **10. How to select the business incubator supervisory board?**

The BI has to prove the existing their on procedures of oversight through will be evaluated the accomplishment of the objectives and if they are in concordance with clients needs. During the process of incubation, the management team has to pursue the mode of services used in purpose of adjust them to clients needs.

## **11. How to evaluate the activities of the business incubators, science and technoparks?**

In order to evaluate the activity of a BI, could be considered the following aspects:

- Occupation rate of BI. Regarding this issue, it has to be kept the registrations about monthly and annual rates of occupation, types of clients, stakeholders and employees profile. It is also important to analyse the clients which were successful during the incubation period;
- Financial indicators regarding the profits, the incomes, costs, profitable rates;
- Petitions of incubated firms, concerning the quality and terms of services provides by BI;
- The impact on market of incubated firms.

About science and techno parks, Romanian experience is just in the beginning, because, till know, just a few of them are partial functioning. So, for this stage, is very difficult to find specific criteria or other aspects in order to evaluate a standard of performance. Generally, a performing science or techno park should be evaluated through the capacity of creating a number of new jobs or according with the amount of attracts new direct investments. Concerning the distribution of industrial park it can be observed a reverse tendency than in case of BI's (see figure 2.2).

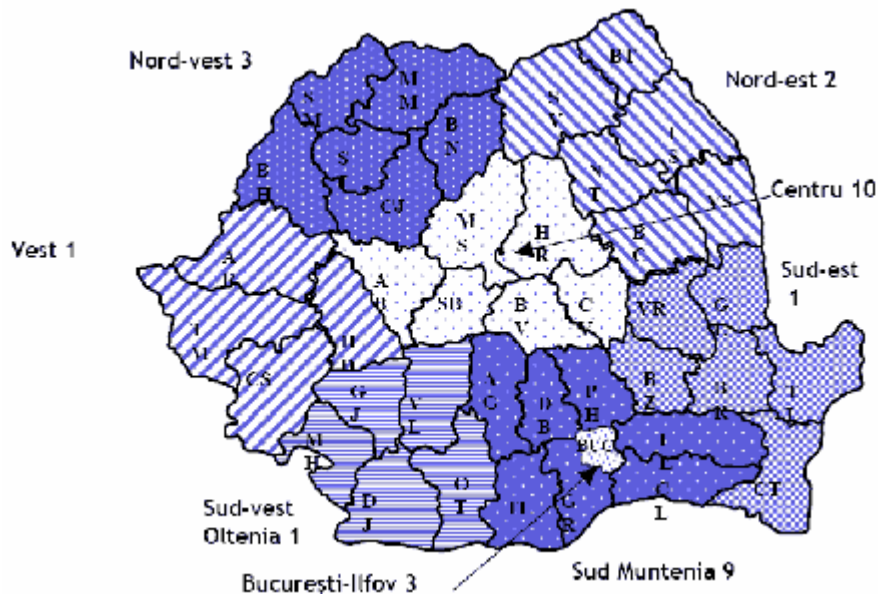


Figure 2.2 Distributions of Industrial Parks

Source: [www.mimmc.ro/raport\\_anual/acces\\_servicii\\_sprrijinire/](http://www.mimmc.ro/raport_anual/acces_servicii_sprrijinire/) Retrieved from WWW April/10/2006

## 12. What are the criteria of the sustainability of business incubators, science and technoparks?

The most important criteria of the sustainability of a BI are the following:

- The performance of services provided by BI. The feed-back obtained, at regular intervals from their clients, concerning the efficiency of services provided, as those of consulting and rate of rents;
- The number of incubated firms, the term of incubation and the success rate of incubated firms;
- The optimum administration of the common utilities;
- The pursuit of tenant, during the entire period of incubation;
- Conceiving criteria of quitting the BI, as well as for pursue permanently the exit of tenants.