

SPARK OF BUSINESS INCUBATORS ROLES: LATIN AMERICAN CASE STUDIES

Hanadi AL-Mubarak^{} and Michael Busler^{**}*

Abstract: *The aim of this paper is to review the literature and identify the key variables of business incubation programs with successful implementation in Latin American countries. This paper is based on a wide literature review, focused on the identification of the key variables such as: (1) incubators type, (2) financial model, (3) targets, (4) sectors, (5) services, and (6) objectives. The authors' professional experience on the topic provides the foundation for this paper. Methodology: the authors studied Latin American cases: (a) Argentina, (b) Brazil, (c) Chile, (d) Mexico, and (e) Venezuela. The findings of this research can help policy makers, governments, provides useful information to both academicians and practitioners who are interested in successful implementation. This paper contributes to enhancing the understanding of the strategic approaches of business incubation programs in Latin America as powerful tool in jobs creation, entrepreneurship awareness and portfolio enterprises.*

Keywords: *Strategic, Economic Theories, Incubators, Economic Development.*

1. INTRODUCTION

Business incubation concept has continued to produce companies that survive their first five years of operation in surprisingly high numbers (85%+), where the derivatives of incubators are four value-added that are such as: (1) employment creation, (2) entrepreneurships, (3) to reduce indirect cost cut for start-up, and (4) technology transfer and commercialization (Info DEV, 2009). Furthermore, the current literature has been proven the positive impact of business incubation programs objectives such as: (1) Incubator generally aids in the growth of new ventures (Campbell, 1989; Petree, 1997), (2) it is supporting regional development through job creation (Allen and Levine, 1986; Mian, 1997; Thierstein and Wilhelm, 2001), (3) Incubators fosters technological innovation and industrial renewal (Allen and Rahman, 1985; Similor and Gill, 1986; Allen and McCluskey, 1990; Mian, 1996).

The objective of this paper is twofold: (1) discuss and analyze the adoption of incubators in Latin America as success case studies, and (2) to identify the key variables of business incubation programs focused on: (1) incubators type,

^{*} College of Engineering, Kuwait University, Kuwait, E-mail: pro5383526@yahoo.com

^{**} Richard Stockton College, USA, E-mail: michael.busler@stockton.edu

(2) financial model, (3) targets, (4) sectors, (5) services, and (6) objectives. The issue questions addressed are: (1) what are the benefits of business incubators in Latin America as a value-added product for entrepreneurs, employment creation and enterprises and (2) what are the lessons learned from the success of Latin America case studies.

The remainder of the paper is as follows: Section 2 provides a thorough review of the literature on the incubators as value-added on entrepreneurship and of job creation, technology transfer, commercialization, reduction of indirect start-up costs for companies, and graduation companies in the market. Section 3 shows the results of five successful case studies in order to illustrate different approaches as value-added incubators. In section 4 the authors briefly discuss the lessons learned from qualitative approaches of incubators. Section 5 concludes on incubators as value-added from international countries.

2. LITERATURE REVIEW

Chandra and Fealey, 2009 discuss in the current literature about the United States government has played a predominant role in supporting incubators with legislative allocations for economic development and job creation. Furthermore, they have also provided support at both the local and federal level by providing sponsorship (Chandra and Fealey, 2009). Today, there are around 7000 business incubators worldwide (NBIA, 2010; Monkman, 2010).

According to McKinnon and Hayhow (1998), the primary objective of US incubators is to promote economic development, diversification of local economy, the commercialization of research, the technology transfer and to produce income for sponsoring organization. The publication of National Business Incubation Association NBIA (2007) observes that most common goals of incubation programs are creating jobs, entrepreneurial climate, and diversifying local economies.

InfoDEV., 2009 defines Business Incubation Programs are aimed at promoting economic development of its community by supporting start-up companies and their business development. These programs offer services to support the establishment and development of new/small and medium companies. In addition the programs provide the incubette with: (1) start-up consulting and business planning; (2) consulting in all areas important for business development and growth; (3) consulting for and/or access to financing; and (4) training and networking.

According to NBIA, 2006; Al-Mubarak 2008; Al-Mubarak *et al.*, 2010; 2011 the current literature discusses the incubators services offered by business incubation programs such as: (1) Help with business basics, (2) Networking activities, (3) Marketing assistance, (4) High-speed Internet access, (5) Help with accounting/financial management, (6) Access to bank loans, loan funds and guarantee

programs, (7) Help with presentation skills, (8) Links to higher education resources, (9) Links to strategic partners, (10) Access to angel investors or venture capital, (11) Comprehensive business training programs, (12) Advisory boards and mentors, (13) Management team identification, (14) Help with business etiquette, (15) Technology commercialization assistance, and (16) Help with regulatory compliance services.

NBIA, 2000; Al-Mubarak. *et al.*, 2011 discuss the business incubation types divided to the 5 main categories such as: (1) the Mixed-use type of incubator accepts clients from a wide variety of business sectors. They are largely created by local governments to spur economic growth and create jobs, (2) the Technology incubators type focus on enhancing community research and development in high-technology, to attracting capital and can have a long-term impact on spurring economic growth and creating jobs, (3) the Manufacturing incubators type provide physical space and technical business assistance for those in the manufacturing industries, (4) the Targeted incubator type focus on specific industry such as software, food manufacturing, multimedia, arts, etc., and (5) Empowerment incubators type focus on assisting targeted populations in their efforts to develop and support small business entrepreneurship.

Many researchers and scholarly confirmed the positive impact of business incubators on job creation. Wagner (2006) conducted study to examine nine incubator programs with a total of 175 incubated businesses in the state of Missouri revealed evidence that these businesses had created 502 jobs in total, or an average of 60.5 jobs each.

3. RESEARCH METHODOLOGY

The research methodology that has been used in this research study is compromised of desk-research, interviews and case study of 5 incubator organisations in the Latin America such as: (1) Argentina, (2) Brazil, (3) Chile, (4) Mexico, and (5) Venezuela.

Table 1 shows the analysis of the case studies included country name with the main objective of incubator programs with the services provided by the incubators, financial model incubators types, incubators targets and incubators sectors.

4. FINDINGS

Business Incubation Programs are aimed at promoting economic development of its community by supporting start-up companies and their business development. The incubation programs offered several services for the start up such as: (a) management assistant that develops and orchestrates business, (b) marketing and management resources and relationships tailored to the needs of the business clients, (c) shared office services, training, technology support and

Table 1
Summary of Case Studies

Country	Incubators Objectives	Incubators Services	Financial Model	Incubators Type	Incubators Targets	Incubators Sectors
1 Argentina	1. Job creation	1. Management that develops and orchestrates business, marketing and management resources and relationships tailored to the needs of the business clients.	1. For-profit	1. Private sector	1. Youth	1. ICTs
2 Brazil	2. Profitable enterprises		2. Not-for-profit	2. Government	Urban poor	2. Mixed use
3 Chile	3. Research commercialization			3. NGO	3. Rural poor	3. Manufacturing
4 Mexico	4. Entrepreneurship awareness	2. Shared office services, training, technology support and equipment		4. Academic	4. Women	4. Agriculture
5 Venezuela	5. Export Revenues	3. Selection of clients and an acceleration process by which businesses become more independent and progress to graduation				5. Biotechnology
	6. Policy Impact	4. Assistance in obtaining the financing necessary for business growth				6. Clean technology
	7. Income Generation	5. Providing access to appropriate rental space and flexible leases in the incubator				7. Textile
						8. None

equipment, (d) selection of clients and an acceleration process by which businesses become more independent and progress to graduation, (e) assistance in obtaining the financing necessary for business growth and f) providing access to appropriate rental space and flexible leases in the incubator (InfoDEV, 2009; Al-Mubarak, and Busler, 2011).

Table 2 summarizes the case studies with key variables of business incubation programs such as: (1) Incubators type: academic incubators, (2) Financial model: not-for-profit link to various sources of governments, (3) Targets: youth in all case studies for example 20 incubators in Latin America support 756 firms under incubation and jobs created 4965 (idisc, 2012), (4) Sectors: information communication technology ICT, (5) Services: tangible services, and (6) Incubators objectives: (a) foster entrepreneurship, (b) reduce unemployment, and (c) technology transfer. In summary, there are 93 business incubation programs in 21 countries throughout Latin America/Caribbean (idisc, 2012).

Table 2
Case Studies Key Variables of Business Incubation Programs

<i>Incubators Objectives</i>	<i>Incubators Services</i>	<i>Financial Model</i>	<i>Incubators Type</i>	<i>Incubators Sectors</i>	<i>Incubators Targets</i>
1. Foster entrepreneurship		Not-for-profit			
2. Reduce unemployment	Tangible services	link to various sources of governments	Academic	ICT	Youth
3. Technology transfer					

4. CONCLUSION AND DISCUSSION

In this study, the following general conclusions can be drawn from the previous overview of the findings of key studies into the impact of business incubation programme, conducted in a range of different Latin American countries.

1. **Consulting and Administrative Assistance:** Incubator managers and staff members can often provide insightful advice and information on a broad of business plan or any start up document.
2. **A dynamic networking of Entrepreneurs:** Many small business owners that have launched successful ventures from incubators cite the presence of fellow entrepreneurs as a key element in their success.
3. **Attract successful entrepreneurs:** The incubators are any physical entrepreneur’s location to receive the advantage of tangible and intangible services. It and is mostly about networking smart people with great high skills, and finance young technology companies to be freestanding in market.

4. **Survival rate of companies:** All case studies proven that the survival rate of companies inside the incubators is more than 90%, which reflects the sustainability of companies in the market.
5. **Economic development strategists:** Incubators are finical model for economic development which all international countries policy maker invest in the incubators.

In conclusion and throughout a careful review of the published literature and the analysis of the key variables of business incubators in Latin America is an effective tool for: (1) foster entrepreneurship, (2) reduce unemployment, and (3) technology transfer.

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